POVERTY
THE CHALLENGE TO THE CHURCH

JOHN SIMPSON PENMAN

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BY
JOHN SIMPSON PENMAN, M. A.

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By JOHN S. PENMAN

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TO MY WIFE

IN LOVING MEMORY OF THE YEARS WHEN
WE WORKED TOGETHER TO UPLIFT
AND AMELIORATE THE CONDITION
OF THE POOR, THIS BOOK
IS DEDICATED

PREFACE

THE problem of poverty is one that is destined to become more acute in this country with the passing of the years, unless society faces this problem and seeks its solution through economic and social changes. It is the persistence of poverty in modern society that sustains the propaganda of Socialism. The danger of the spread of Socialism lies in the fact that the well-to-do classes have neglected to study the causes which create poverty and to consider the remedies for its abolition. It is reasonable to believe that if the facts were known, the public would make a determined effort to remove poverty from modern society. Many are enjoying the fruits of industry who have given no thought to the costs in human life, toil, and social misery which they exact. Yet there are many signs today that those who control industry will be unwilling to profit by any system of distribution that flourishes at the expense of the efficiency and well being of the wage earners.

To show that poverty is not wholly the result of personal defects of character, but is due, in a large measure, to maladjustments of economic and social conditions, is the pur-

pose of this book. When we realize that these conditions can be changed by a more equitable distribution of the profits of industry and by social legislation that appeals to every humane man and woman, it can hardly be doubted that these changes will be brought about by the force of public opinion sustained by the high moral and social ideals which pervade our country.

That the present conditions of poverty will appeal with compelling force to the Church, there can be little question. The amelioration of the lives of the poor has always been the aim and solicitude of the Church; but the facts of modern poverty with its debasing and degrading effects upon the lives of multitudes, call for serious concern by the leaders of the Church. That poverty should prevail to such a large extent in modern society is a challenge to the ideals for which the Church stands: and so long as these conditions of poverty exist, the Church must bear the criticism that it has failed to dominate society with its ideals and spirit. While it is true that the Church does not control the economic forces of industry, yet it is largely responsible for the creation of the public sentiment which does control these forces and which can bring about a change in the social conditions of the workers.

To those who believe that Socialism is the only road by which any improvement can be

looked for in our civilization, the facts presented here will make no appeal; but to those who think that poverty can be removed without destroying the present economic system, I sincerely hope that this book will suggest a way out. That there is no short road to the abolition of poverty is self evident. The effects of better working and living conditions for the workers will not be realized in a day; but changes in their economic status which assure to every worker a wage sufficient to maintain a decent standard of living will be a long step forward in the removal of the largest cause of poverty.

While acknowledging my indebtedness to many writers and investigators of the social conditions of poverty, yet the inspiration for this book came from a study of Professor Seligman's treatise on Economics, especially his chapter on "Progress and Poverty." Along the same lines I found "Social Insurance," by Professor Henry R. Seager, exceedingly helpful. I am also indebted to Professor Giddings of Columbia University for his kind criticism and helpful suggestions, and my thanks are due to Dr. Carroll Dunham who kindly read the manuscript and made many valuable suggestions as to details of form.

JOHN SIMPSON PENMAN.

CAMBRIDGE, September, 1915.

CONTENTS

CHAPTER PAGE

PREFACE vii

I. THE EXTENT OF POVERTY 1

Poverty and industrial unrest. Relation of poverty to wages and the cost of living. Investigations in England. The extent of poverty unknown in the United States. Awakening of public opinion to this problem. Standards by which to measure poverty. Economic standard and physical efficiency. Rowntree. Inadequacy of the standard of physical efficiency. Federal Government investigations. Minimum standard of living. Extent to which it prevails. Fair or efficiency standard of living. Line of poverty below this standard. Wages paid in the United States. Nearing and Streightoff. Relation of wages to the fair standard of living. Number of families living below the poverty line. Extent of poverty in the United States. Periodic times of poverty for many workers. Social and economic maladjustment.

II. THE CAUSES OF POVERTY 31

Two contrasted theories of poverty. Poverty due to defects of character. Poverty the result of economic and social causes. Abolition of poverty within the power of Society. Five causes: (1) Low wages; (2) Overwork; (3) Sickness; (4) Industrial accidents; (5) Unemployment. Society deals with the effects of poverty. Necessity of treating the causes. New social spirit and the demand for justice and humanity.

III. THE REMEDIES FOR POVERTY . . . 61

Charity not equal to the demands of modern poverty. Abolition of poverty depends on economic and social changes. Three methods suggested for the abolition of poverty. 1. Minimum wage. New principle in industry. Tested in Australia and England. Beneficial effects. 2. Democratization of industry. Profit sharing and copartnership. Renaissance of plan of profit sharing. Reasons. Indictment of present system. Mill. Two reasons for the profit sharing plan. It is equitable. The plan not a philanthropy. The plan is practicable. Experience in England. Growth of profit sharing in the United States. 3. Social legislation. Workmen's compensation. National insurance. Signs of coming changes in Society. Remedies for poverty and the menace of Socialism. Modern Democracy and the distribution of wealth.

CHAPTER PAGE

IV. THE ECONOMIC SURPLUS 89

Economic basis of industrial and social reforms. National wealth and social betterments. Enormous increase in the national wealth. 1. Distribution of the national wealth. Earlier investigations. Spahr. Distribution of wealth as revealed by the income tax. Tax on corporations. Ownership of industrial and railroad securities. Manufacturing corporations. Income from agriculture. Economic surplus goes to small part of population. Part of surplus reinvested in industry. 2. Is the distribution of wealth equitable? Economic surplus and the standard of living of the wage earners. Surplus of large corporations and the cost of raising wages. Objection found in the need for new capital. Danger of increasing poverty through unemployment. Three answers to criticism. Advantages of better method of distribution. Increase of the consumptive power of the people. Decrease of unemployment. Savings of social costs of public and private charity. Distribution of the economic surplus and social unrest. Mill. Public awakening to the gravity of the problems of poverty. No panaceas for present social conditions. Social improvements must wait upon the slow evolution of industrial conditions.

V. THE CHURCH AND POVERTY . . . 117

Vital relation of the Church to poverty. New point of view of poverty and its effect upon the Church. Challenge to the Church of economic and social conditions. Influence of wealth upon the Church. Power of wealth over the living conditions of the wage earners. Close relation between ethical and economic problems. The ethics of the production and the distribution of wealth. The moral element of investments in securities. Advocacy by the Church of social legislation. Social effects of Christian support and sentiment. Moral leadership of the Church and economic conditions. Power of wealth and its effect upon the freedom of the ministry. Need of careful preparation by the ministry for the work of social and moral leadership. Awakened consciousness of the business world as to the effects of poverty — the opportunity of the Church. Inadequacy of charity to deal with the causes of poverty. Responsibility of the Church for the Christianization of Society. Recapitulation.

I

THE EXTENT OF POVERTY

CHAPTER I

THE EXTENT OF POVERTY

Since Henry George wrote his "Progress and Poverty" some forty years ago, the problems of poverty have awakened a public interest and have become the burning questions of the twentieth century. Poverty is no longer an inevitable condition to be accepted and endured; it is a problem of economic and social life which demands solution. The industrial unrest which everywhere pervades the minds of the working classes in Western Civilization is a sign of the awakening of a new consciousness as to the value of the human element in industry. These workers are no longer satisfied to accept poverty as a permanent factor of civilization. They behold in poverty the evidence of maladjustments in economic and social life.

While the problem of poverty is as old as civilization and has always commanded the attention of statesmen and social reformers, yet it is new as the cause of industrial unrest. It is the consciousness of the magnitude of modern poverty which raises the issue of the value of our civilization and of the stability

and security of the present industrial system. This issue, once raised, is destined to go on to its fulfilment until some means are found for the abolition of poverty.

Men are conscious of the sufferings and misery of the poor as never before in the world's history. They recognize that poverty is not a necessary accompaniment of efficiency and of success in modern industry; and they believe that economic and social conditions which consign multitudes of wage earners to live at the margin of poverty, cannot be right.

These ideas have given renewed energy to the investigation of the wages and of the cost of living of the poor and have led to an intensive study of the conditions of poverty. The result of such studies has revealed the existence of poverty to an alarming extent in this country.

In England the researches of Charles Booth and Seebohm Rowntree have brought to light conditions of poverty which have awakened the public conscience and have led to remedial legislation of a far-reaching character. There, society realizes that the working classes have good cause for discontent and industrial unrest.

But in the United States, poverty has not been so clearly recognized as the cause of social unrest. The extent to which poverty exists is largely unknown. Until very re-

cently, no data have existed upon which to base a true estimate or by which to measure wages in their relation to the cost of living. While the perennial problem of the unemployed in our large cities every winter serves to call the attention of the public to poverty, yet it awakens only a temporary interest in its evils. Public opinion is not really aroused to the serious character of this acute problem of modern civilization.

We have been so long accustomed to think of poverty as the result of personal defects of character rather than as the creation of economic and social conditions that we accept its existence as a necessity of the social order. Until the public mind is disabused of this point of view, there can be little hope that the facts of poverty will be seriously considered. The time has come when these problems must be faced; when some solution must be found to meet the demands which the social effects of poverty force upon society. And these effects are felt in proportion to the amount of poverty which exists in this country. Various attempts have been made to determine the proportion of poverty to the population; but such estimates have usually suffered from overstatement and exaggeration. Indeed, these estimates have often been made in the interest of a social theory, and have suffered the fate of all such theories. Thus Robert Hunter

estimated that at least ten millions were in poverty and went so far as to say that possibly there were twenty millions. This estimate, as he acknowledges, was based upon insufficient data.[1]

Since his time, governmental investigations through National and State Bureaus of Labor have collected a mass of facts in regard to wages, cost of living, and standards of living which have made it possible to form an approximate idea of the amount of poverty in the United States. Some such estimate is necessary before we can consider any method for its abolition. If poverty is of small dimensions, it can be left to the agencies of public and private relief. But if it exists on a large scale, it must be dealt with by means of economic and legislative changes.

The increasing amount of relief demanded by the poor, the growing wretchedness and misery of the many, the abundant wealth of the few, the industrial unrest of the wage earners, all are signs which point to the increase of poverty and to its deep rootage in the social organism. Behind all national legislation stands the deepening shadow of poverty. It is this which creates the social problem. It is the outstanding fact in all discussions of the social question.

[1] Poverty. Hunter. P. 11.

Can we determine its extent and dimensions? Have we any standards by which we can measure it? To answer these questions we must first determine what we mean by poverty.

There are three standards by which we might measure it.

1. The philanthropic standard which identifies poverty with pauperism, and includes all those who are helped by agencies of public and private relief.

2. The economic standard which determines poverty in terms of economic goods and the minimum standard of living.

3. The cultural standard which measures poverty by the intellectual and moral standards of living.

Poverty should not be identified with pauperism; nor should it be confused with low cultural ideals of life; it is by the economic standard that the extent of poverty must be determined. The poverty line is reached long before the poor have sunk to the level of dependence upon charitable relief.

Therefore, we shall take, as our measure of poverty, the economic standard. But here new questions arise. In what does this standard consist? How much economic goods are required to meet this standard of living? What relation do the wages of the workers bear to this standard?

If we take as our economic standard the

American standard of living, then poverty will mean one thing and its amount will be much increased. Such a standard is probably too high to apply to the conditions of living of the recently arrived immigrants who come to this country with a much lower standard of living. If we take as the standard the minimum of economic goods needed to maintain the family unit in existence, just above the starvation line, with no regard to physical deterioration, then the proportion of poverty to the population may be much reduced. Indeed, this would mark the poverty line for all those who fell below the standard of simple subsistence. But even in this case, the line would be very indefinite and might include only those who are the objects of public and private charity. Whether that relief was permanent or only temporary, would increase or diminish the amount of poverty.

Such a standard was taken by Rowntree when he included in his estimate of poverty all workers "when their total earnings were insufficient to obtain the minimum necessaries for the maintenance of merely physical efficiency."[1]

Now is not this to make the poverty line too low? Ought it not to include something more than the "maintenance of merely phys-

[1] Poverty. Rowntree. P. 118.

ical efficiency"? When we recall what by Rowntree's own estimate this involves, we can hardly think that such a standard is adequate. Concerning this standard, he says, "They must never spend a penny on railway fares or omnibus. They must never go into the country unless they walk. They must never purchase a half-penny newspaper or spend a penny to buy a ticket for a popular concert. They must write no letters to absent children, for they cannot afford to pay postage. They must never contribute anything to their church or chapel, or give any help to a neighbor which costs them money. They cannot save, nor can they join sick club or Trade Union, because they cannot pay the necessary subscription. The children must have no pocket money for dolls, marbles, or sweets. The father must smoke no tobacco and must drink no beer. Finally, the wage earner must never be absent from his work for a single day. Whenever a worker having three children dependent on him, and receiving not more than 21*s* 8*d* per week, indulges in any expenditure beyond that required for the barest physical needs, he can only do so at the cost of his own physical efficiency, or of that of some member of his family."[1] And yet, even on this low basis, he found that 28 per cent. of the popula-

[1] Poverty. Rowntree. P. 133.

tion of York, England, were living at this standard.

Surely mere physical efficiency, involving such social conditions as these, can hardly be reckoned as raising a man and his family above the poverty line. Such a standard is too low. Much better is that suggested by Mr. Hobhouse when he says, "The living wage of the adult worker does not mean merely so much as will keep him in health, it means so much as will, upon the whole, maintain the population from which he is recruited."[1]

That involves many things besides physical necessaries such as food, housing, clothing, fuel, and lights. In this country the American standard of living has recently been formulated by the Minimum Wage Commissions of Massachusetts and Wisconsin. The Massachusetts Commission advocated the paying of wages that are adequate to the cost of living and "to maintain them in health." And it comments on this latter phrase "to maintain them in health." "It does involve more than a wage adequate simply to sustain the worker in existence. It is intended to prohibit uncivilized conditions. It sets a certain sort of a social and economic standard."[2]

[1] Industrial Unrest. Hobhouse. P. 70.
[2] Minimum Wage Commission. P. 22. 1912.

But what this standard is, or, what these uncivilized conditions are, may only be determined by a review of the wages and conditions of the women wage earners in the industries that the Commission investigated. The conclusion that the Commission came to is applicable to women alone. The wages adequate for a single woman would be entirely inadequate for the cost of living for a normal family, consisting of a man, his wife, and three children under fourteen years of age.

Fortunately, the Federal Government's investigation into the wages and cost of living of "Women and the Child Wage Earners" furnishes us with standards of living by which we can determine the poverty line. The Report draws a distinct line between a Minimum standard and a Fair or Efficiency standard of living. In the former case, the standard includes in the cost of living merely food, clothing, rent, fuel, lights, and a few sundries; and finds the cost of these things in the cotton town of the South to be $408.26, and the Minimum standard of living in Fall River in the North to be $481.41. The comparison of this standard with that of Rowntree reveals similar destitution.

"If the family live upon this sum without suffering, wisdom to properly apportion the income is necessary. There can be no amusements or recreations that involve any ex-

pense. No tobacco can be used. No newspaper can be purchased. The children cannot go to school, because there will be no money to buy their books. Household articles that are worn out or destroyed cannot be replaced. The above sum provides for neither birth, nor death, nor any illness that demands a doctor's attention or calls for medicine. Even though all these things are eliminated, if the family is not to suffer, the mother must be a woman of rare ability. She must know how to make her own and her children's clothing; she must be physically able to do all the household work, including the washing, and she must know enough to purchase with her allowance the food that has the proper nutritive value."[1]

The Report concludes that "the Minimum Standard is a standard of living so low that one would expect few families to live on it." Over against this minimum standard, it sets the Fair standard of living which is defined as "a standard that provides not only for physical efficiency, but allows for the development and satisfaction of human attributes."[2] This standard measured in the cost of living demands $600.74 in the South, and $690.95 in Fall River.

"This standard will enable the worker to furnish his family good nourishing food and

[1] [2] Women and Child Wage Earners. P. 142.

sufficient plain clothing. He can send his children to school. Unless a prolonged or serious illness befall the family, he can pay for medical attention. If death should occur, insurance will meet the expense. He can provide some simple recreation for his family, the cost not to be over $15.60 a year."[1]

This Fair standard cannot be said to be exorbitant, but it provides, at least, for a decent living and allows for a few of the comforts of life. Anything below this standard must be reckoned as below the poverty line; for it means a standard of living under uncivilized conditions.

The conclusion of Dr. Neil on this point is worthy of serious consideration and will appeal to the judgment of thoughtful persons. "To be unable to meet the demands of this standard of living is to place the family among those living in poverty. The father might earn less than $600.74 without entailing physical suffering on the family. The minimum standard, however, of $408.26 which obviates physical suffering only, does not mark the poverty line for the family. The deprivation of many things other than food and shelter means poverty. For after all, among these people, the problems of sickness and death and births are to be reckoned with almost as certainly as are food and

[1] Women and Child Wage Earners. P. 152.

shelter. Inability to buy school books for the children, to furnish some simple form of recreation for the family, are unmistakably signs of poverty. Human beings are being dealt with; and human needs as well as human frailties put man into a class where food and shelter are not the only real necessaries of life."[1]

Now if we take this Fair or Efficiency standard of living as the basis by which to determine the extent of poverty, what relation will this poverty bear to the whole population? Does it form a small proportion, or does it affect the lives of a large number of people? Undoubtedly it affects a large number. But statistical data are still wanting; for there are no tabulated data as to wages and standards of living for the whole country. We can, however, arrive at approximate results which are near enough for our immediate practical purposes. These data will reveal clearly enough that poverty is a factor to be reckoned with in all social legislation. This result will be obtained by comparing the annual wages and income of the workers with the cost of the Fair standard of living, allowing for the variations due to geographical distribution. This standard will vary with the same industry, whether in the North, or in the South, whether in a

[1] Women and Child Wage Earners. P. 153.

large city or in a small town, whether in New England or in the West. In New York City, Chapin's investigations showed that $800 or more was necessary to maintain the normal family in efficiency.

"The task of making both ends meet," he says, "is too severe to be successfully accomplished in ordinary circumstances on all incomes under $800, without a lowering of the standard of living below the normal demands of health, working efficiency, and social decency."[1]

We have, now, to inquire what relation the earnings of the wage workers bear to the Fair standard of living of $800 a year for a city like New York; $600 for a cotton mill in the South, and $690 for the operatives of a cotton mill in the North.

Federal and State investigations of the wages in many of our great industries have brought to light some interesting facts. A Federal investigation of the Steel Industry was made in 1910, in 416 plants in 29 States, and included 199,689 employees. In the productive department there were 91,463 employees. It was stated that "in the productive occupations of the blast furnace department, 72.30 per cent. of all employees earned less than 18 cents per hour, and were practically all unskilled laborers; 23.34 per

[1] Standard of Living. Chapin. P. 234.

cent. earned 18 and under 25 cents and were largely semi-skilled employees; and only 4.36 per cent. earned 25 cents and over per hour and were skilled employees."[1] But among the common laborers five-sixths or 82.94 per cent. earned 14 and under 18 cents an hour or between $400 and $600 a year. But these earnings were on the basis of a full working year, while the returns showed that only "63 per cent. were employed forty-four weeks during the year and lost 13 per cent. of annual wages by unemployment."[2] These wages were inadequate even to maintain the workers at the minimum standard of living. How, then, did they manage to exist? We are told, by the supplementary earnings of the wives and children. "During the long periods of depression in the Steel Industry, the families of the Steel workers are supported by the work of women and children in cigar factories and other so-called complementary industries. As these factories are run with relative constancy and are usually the only other industries in the Steel towns which supply an outside market, it is largely through their assistance that married employees are able to live through the long periods of depression."[3]

In the Census of Manufactures for 1905,

[1] Iron and Steel Industry. Senate Document. Vol. 3, p. xxxiii. 1911.

[2] [3] *Ibid.* Pp. 21, 22.

statistics are given of the wages of 2,619,053 male employees engaged in manufacturing of this number, 60 per cent. received wages under $12 per week or, say, $600 a year. In 1911 in New Jersey, of 243,753 male employees, 54 per cent. earned wages under $12 per week or $600 a year.[1]

In the textile industries at Lawrence, Mass., the United States Commissioner of Labor found that 69.8 per cent. of the male workers earned less than $12 per week; and in the town of Little Falls, N. Y., engaged in the manufacture of hosiery, among 800 male workers, 76.73 per cent. earned less than $12 per week.[2] Every government investigation of the wages paid in industry reveals about the same conditions.

Corroborative evidence of these facts is to be found in the report of the Commission of Immigrants in Industries. This Investigation covered sixteen of our large industries, including the Steel Industry, Slaughtering and Meat Packing, Bituminous Coal Mining, Glass Manufacturing, Woolen and Worsted, Silk Goods, Cotton Goods, Clothing, Boots and Shoes, Furniture Manufacturing, Collars and Cuffs, Leather and Tanning, Glove Manufacturing, Oil Refining, Sugar Refining, Cigar Manufacturing. In thirteen of these industries, the average earnings of the

[1] [2] Financing the Wage Earner's Family. Nearing. P. 103.

heads of families run from $400 to $600 a year, and in the remaining three, the earnings range from $650 to $662 a year. The family income, which consists of the earnings of the male head together with the supplementary earnings derived from the wives, the children, and the money obtained from boarders and lodgers, is in eight industries under $700 a year; in five industries, under $800; in three industries it is between $800 and $900 a year. In the Steel Industry it was shown that the average earnings of males over 18 years of age were $346 a year; and the average earnings of males, heads of families, were $409; while in the households intensively studied, which were fair samples of the homes of the workers, the average annual family income was $568. The conclusion reached by the Commission was that "the greater number of wage earners in all the industries studied, either of native birth, or of foreign father, or of foreign birth, were receiving as a result of their labor less than $600 per annum."[1] In this connection, it should be noticed that the earning capacity of the wage earners varies with their nationality and length of stay in the country. Thus while in the Boot and Shoe Industry "the greater proportion, 62 per cent., of the total male heads earn under $600 per year, the

[1] Immigrants in Industries. Senate Document. Vol. 81, p. 120.

greater proportion of the English and French Canadian male heads earn under $800 a year. The Hebrews and South Italians in the greater number of cases earn under $600. The male heads of the remaining races in the greater proportion of families earn under $400."[1]

When we now turn to the Railroads of the country, the wages paid are surprising in view of the fact that it is constantly claimed that the wages are excessively high, and out of all proportion to the costs of operation. Undoubtedly this opinion is based upon the wages paid to the engineers and the higher grade of railway employees, which are high; but these form only a small proportion of the total wage earners of the railway systems. The whole number of employees in 1913 was 1,814,047, who were paid in wages $1,373,420,654 and received on the average $2.49 per day. In this average there were included the salaries of 3,815 general officers who received nearly $5,000 each per year, and 10,588 other officers whose salaries averaged about $2,000 a year.[2]

Among the great number of employees, the two highest grades, engineers and conductors, 118,428, or 6.5 per cent., received wages from $1,350 to $1,600 per annum. The next

[1] Immigrants in Industries. Senate Document. Vol. 74, p. 259.

[2] Railway Statistics of America. S. Thompson. 1909, 1913. P. 403.

group, comprising firemen, trainmen, and machinists, 278,094, or 16 per cent., received wages between $900 and $1,000 a year. Another group of 528,565 employees received between $700 and $800 a year; while the remainder, comprising 874,589 employees, or 48.2 per cent., earned between $482 and $655 per annum. But in this group were included 374,441 who earned only $482 a year.

It is evident, then, that 48 per cent. or nearly one-half of the employees of the Railways do not receive wages sufficient to maintain their families on the fair standard of living, taking as that standard $690 a year for a small town. If they are living in the large cities, this standard must be raised to $800 a year or more. While, undoubtedly, the higher grades of labor are well paid on the Railways, yet, these groups comprise only about 34.7 per cent. of all the employees. At the same time, it remains a fact that almost one-half the employees receive wages so low as to place them among the class of workers who live on the minimum standard of subsistence, if they are heads of families. For some time, the impression has prevailed that wages in many industries were low; but the opinion was generally held that wages on our Railroads were high. This opinion was based on the wages paid to skilled but small groups who are members of the Railroad brotherhoods. Taken as a whole, wages

approach very near the level that prevails in other industries. Professor Nearing, from his researches into the rate of wages, came to the conclusion "that half of the adult males in the United States in the district lying East of the Rocky Mountains and North of the Mason and Dixon line, are earning less than $500 a year; that three-fourths of them are earning less than $600 annually; that nine-tenths of them are receiving $800 a year; while less than ten per cent. receive more than that figure."[1]

Upon this statement he based the conclusion of the inadequacy of wages to meet the fair standard of living. "Since a fair or efficiency standard for a normal family involves an outlay of from $600 in a small industrial town to $900 in a large city, three-fourths of the wage earners in small towns and nine-tenths of the wage earners in large cities are unable to provide a fair or efficiency standard for a normal family."[2]

From this statement, however, Professor Nearing is far from drawing the inference that this is the actual condition of the wage earners; for it is only true in cases where the husband must support a normal family of five persons: a wife, three children and himself.

[1] Financing the Wage Earner's Family. Nearing. P. 104.

[2] *Ibid.* Pp. 106, 107.

Dr. Streightoff takes exception to Professor Nearing's estimate, believing that he allows too much time for unemployment. But in the main facts as to low wages, he agrees with him. "It is reasonable to believe that in 1904," he says, "something over sixty per cent. of the males, at least sixteen years of age, employed in manufacturing, mining, trade, transportation, and a few other occupations associated with industrial life, were earning less than $626 per annum, about thirty per cent. were receiving $626 but under $1,044, and perhaps ten per cent. enjoyed labor incomes of at least $1,000."[1]

He based his estimate on a careful study of wage statistics of more than 10,683,000 male wage earners engaged in industrial pursuits. If every male worker was the sole support of a normal family, consisting of a wife and three children under fourteen years of age, then it would be a fair inference that, at least, 60 per cent. of the families could not be maintained on a fair or efficiency standard of living. But this is far from being the case. To form an estimate of any value of the number of families below the poverty line, we must know the number of wage earners who are married and supporting a normal family. Is it possible to deter-

[1] Distribution of Incomes in the United States. Columbia University, 1912. P. 139.

mine this? The Census of 1910 indicates that of seventeen millions of males engaged in gainful occupations, between the ages of 21 and 44, eleven millions of the above ages were married and heads of families.[1] This would indicate that about two-thirds of all the male workers were married. Undoubtedly a similar proportion would hold true in respect to the wage earners.

In the Steel Industry, it is stated that two-thirds of the semi-skilled and one-third of the unskilled workers were married. In other industries, the proportion of married men is much greater among the immigrant and foreign born population who form the larger portion of the wage earners in these industries. The Commission on Immigrants in Industry found that in the sixteen industries, the married men preponderated, among the foreign born averaging about 63 per cent., while among the native born the average was 60 per cent.: so that we may conclude that about three-fifths to two-thirds of the workers in industry were married, and were heads of a normal family. As the average number of children to the twenty millions of families in the United States is 4.7, and as the number of children increases as you go down in the social scale, many families among the wage earners would have more than three

[1] Census, 1910. Population and Occupations. P. 69. Abstract of census marital condition. P. 149.

children and the pressure of poverty upon the standard of living would be increased.

At the same time, in many families, the wages of the father would be supplemented by the earnings of the wife and children, together with the money derived from boarders and lodgers. Among the immigrants the group system of living largely prevails, and many families are raised above the poverty line by this means of living. But this standard is only maintained at the cost of congestion and of insanitary conditions in the home. What effect this system has upon the lives of the workers may be easily imagined; but that it is conducive to sickness, inefficiency, indecency, and low standards of living is unquestioned.

It is significant, too, that the proportion of wives who work in the factories of our cities, or who keep boarders and lodgers, increases with the meagreness of the income of the husband. "Among the families where the husband earns $400 a year, 62.2 per cent. of the wives are employed outside the home or in keeping boarders and lodgers; among those earning $400 to $600 a year, 55.99 per cent. of wives are employed; of those earning $600 or more a year, 36.1 per cent. of the wives are employed."[1]

The fact of the employment of wives in

[1] Immigrants in Cities. Vol. 1, p. 231. Senate Document.

industry, necessitated by the lowness of the husband's wages, is not to be measured simply by its effect on the standard of living, but as it affects the birth and rearing of children in the home.

The fact of serious concern is that the rate of wages paid to thousands of male workers in our industries compels the women and children to work in order to keep the family above the poverty line, and even, in many cases, above the starvation line. In a recent study of the Immigrant Problem, Professor Jenks writes, "as a matter of fact, present-day industrial families in the United States find it necessary to add to the earnings of the husbands through the employment of wives and children outside the home and the keeping of boarders and lodgers within the home. The native Americans and older immigrant employees maintain an independent form of family life, but the earnings of the heads are supplemented by the wages of the wives and children."[1]

But while, undoubtedly, this condition faces many families, there are thousands of families where the husband is the sole support. "Probably 45 per cent. of the industrial families are completely dependent on the father-husband."[2] This estimate is cor-

[1] Immigration Problem. Jenks. P. 170.

[2] Distribution of Incomes in the United States. Streightoff. P. 89.

roborated by the later investigations of the Immigration Commission. At the same time, the earnings of many families where the husband earns between $400 and $500 a year, even if his earnings are supplemented by the wages of the wife and children, are insufficient to maintain the family above the poverty line, especially if they are living in a large city like Chicago, Pittsburg, or New York, where the fair standard of living is between $800 and $900 a year. Such families must suffer the deprivation of many things necessary to decent living. Considering all these facts, are we justified in making any qualitative deductions as to poverty in the United States? How wide-spread this poverty is can only be approximately estimated. But it would be a fair estimate to place the number at 20 per cent. of the families engaged in industrial pursuits.

If it was true in 1904, as Dr. Streightoff estimates,[1] that of 19,658,000 male wage earners engaged in trade, mining, transportation, manufacturing, and agriculture, 60 per cent. earned less than $626 a year, then allowing for the growth of population since that time and the rise in the cost of living proportionally to any rise in wages, the number must now be much greater.

Taking the whole country through, it

[1] *Ibid.* P. 137.

would be a conservative estimate to say that there are two million of families, including widows who are the sole support of their children, living below the fair standard. That would mean that about ten million persons are living in poverty, or at the margin of the minimum standard of existence. But this is not all. To this number must be added nearly a million persons who are cared for by public and private relief in Homes and institutions and the thousands, every year, who are reduced to poverty by sickness and industrial accidents. Besides these, there are those who from old age have no longer the strength and efficiency to command employment at the normal rate of wages. It has been said, that "there are approximately 1,250,000 former wage earners who have reached the age of sixty-five years in want and are now supported by charity, public or private."[1]

This conclusion cannot be far from being correct, and it reveals the existence of extensive poverty and want, even among the aged. The appalling fact that confronts us in modern industry today is that millions of men with their families, and thousands of women who have been made widows by industrial accidents, and the sickness due to bad and unhealthy industrial conditions, are

[1] Old Age Dependency in the United States. Squier. P. 3.

living at the margin of subsistence. They are not earning enough to provide their families with the decencies and comforts which civilization demands. All the investigations of wages point to one result,—they are insufficient for millions of people to maintain a decent livelihood. If wages in some industries are different from this, there is no evidence that has come to light in the investigations of Federal and State Labor Departments to support this opinion. Moreover, the lowness of the prevailing rate of wages necessitates a condition of poverty at some period in the life of the majority of wage earners. Wages which are sufficient for a decent livelihood for a single worker are insufficient as soon as he marries and has a family. Rowntree has pointed out that there are two periods when a family living under a decent standard would be forced below the poverty line: the first, when the father was the sole support of the family before the children were old enough to supplement his earnings; and the second, when the children had gone forth to establish new homes of their own, and left the parents in declining years to a penurious old age.[1]

That such conditions should exist in this rich and prosperous country suggests that there is some serious maladjustment in our

[1] Poverty. Rowntree. Pp. 136, 137.

economic and social life. To show that such is the case and to suggest remedies for these conditions will be the object of subsequent chapters. In the next chapter, we shall consider the causes that are continually increasing the amount of poverty and that are forcing many even of the more highly paid workers below the poverty line and the standard of a decent living.

II

THE CAUSES OF POVERTY

CHAPTER II

THE CAUSES OF POVERTY

A GREAT economic writer has said, "The study of the causes of poverty is the study of the degradation of a large part of mankind."[1] It is this fact that makes the existence of poverty on so large a scale in our country a matter of deep concern. Poverty is not to be set aside with the trite remark that it is due to the order of nature. There must be some definite and adequate reason for its existence and for its prevalence during a series of years when the wealth of the country was increasing at a rapid rate.

Two well-defined and sharply contrasted theories are held as to the causes of poverty.

The first is that poverty is to be laid at the door of the poor themselves: that it is their lack of prudence, early marriages, inefficiency, shiftlessness, addiction to drink, and other vices that result in their unfortunate condition. This conventional theory holds that poverty is due to defects in character, and that these defects continually force multitudes of wage earners and their families below the poverty line. On a super-

[1] Economics of Industry. Marshall. P. 3.

ficial view, there is much to support this theory; but a deeper study of the conditions under which the poor live, and the industrial life under which they work, has done much to call this theory in question.

It is far from clear that the misfortunes of the poor are to be laid to defects of character. It is only a shallow view of industrial conditions that blames the poor for their misfortune. Yet the economic sinfulness of poverty has long been maintained by a school of economists who held that it was within the power of every man to determine his economic success or failure. They have agreed with Malthus that the only hope for bettering their condition was for the poor to limit improvident marriages, to limit child bearing, to encourage the spirit of thrift and saving, and to curtail all expenditures upon drink and other vices.

President Hadley calls attention to the fact that "in the most advanced communities extreme poverty is very apt to be associated with gambling, drink, or general shiftlessness,"[1] but he is far from accepting these conditions as the real causes of poverty.

It is not surprising that religious leaders and charitable workers accepted the prevalent theory of the causes of poverty and treated the poor as persons who suffered and

[1] Economics. Hadley. P. 40.

endured privations as the result of their own faults and failings. Throughout the centuries, society has always been confronted with poverty, and its evil effects have been intensified by very effort for its amelioration. Formerly there had been little effort to determine its cause. Fortunately, today a change has taken place in the conventional view of poverty. The consciousness of the magnitude of modern poverty has led to an intensive study of its conditions and causes. A trained band of specialists and social workers have investigated the social conditions under which the poor live and the economic conditions under which they work. These investigations have wrought a revolution in the minds of economists and social workers alike. They have revealed other reasons for poverty than those that have usually been accepted.

"The world is gradually awakening to the fact of its own improvability," says Professor Fisher. "Political economy is no longer the 'dismal science,' teaching that starvation wages are inevitable from the Malthusian growth of population, but is now seriously and hopefully gripping with the problem of the abolition of poverty."[1]

It is this second theory in regard to poverty that is dominant in the social world

[1] National Vitality. Fisher. P. 636.

today. It marks a great step in advance in the understanding of the economic side of the problem. It commands the support and sympathy of social workers among the poor, and of economists among the students of economic and social conditions.

It has the advantage of being the result of first-hand knowledge of those who have lived and worked among the poor; investigated the conditions in mines, factories, and trades; observed the effects of the processes of production and distribution; and noted the evils of industrial accidents, sickness, low wages, and long hours upon the lives and homes of the wage earners. And the opinion is almost unanimous among such investigators that the reasons for poverty are to be found in bad social and economic conditions,—in social maladjustment.

The extermination of poverty is based upon the faith in a better organization of industry, and in a more equitable distribution of wealth. It is coming to be recognized that poverty is not to be accepted as a permanent factor of modern civilization; that it is as capable of wise social and economic adjustments as were the other evils that afflicted society in the past. If this view be correct, then, it is within the power of society to change the conditions under which poverty is perpetuated from year to year. The problem of the abolition of poverty is not post-

poned to the distant future, and fated to wait upon the slow process of the regeneration of human nature; but it can be accelerated, aided, and achieved within the lifetime of the present generation.

Our attitude to these problems will be determined by our theory of the causes of poverty.

If poverty is inevitable and due to defects of character, then the hope of its abolition may seem to be postponed to the realms of Utopias; but if poverty be remediable and the result of social and economic causes, then it comes into the arena of practical problems and is capable of being dealt with through social and legislative reforms.

There are, at least, five causes that create the conditions of modern poverty: 1. Low wages. 2. Overwork. 3. Sickness. 4. Industrial accidents. 5. Unemployment.

It will be found that these causes account for the greater proportion of poverty today, and that all other causes are secondary to these.

1. Low wages.

Our study of the extent of poverty has shown that many families have sunk below the poverty line because their incomes have been inadequate to maintain the family at the fair or efficiency standard of living. The lowness of wages alone, without any other factor, accounts for the fact that multitudes

of industrious, hard-working men are living in poverty. This is not saying that they are paupers, and objects of public and private relief, but that their income is not sufficient for a decent living, and leaves no margin to meet the unforeseen contingencies of life, like sickness, accident, or death.

Now this low rate of wages is caused not only by competition among the workers for employment, but by the newly arrived immigrants with lower standards of living who have been brought over from Europe to replace the more highly paid labor and to keep down the costs of labor. This is notably the case in the steel industry and in all industries where immigrants are employed today. From such low wages poverty results and in its train follow the usual evils,—congestion, ignorance, sickness, shiftlessness, and death. Moreover, in many instances, the low wages are not due to the inability of the industry to meet the demands of labor for a decent livelihood, but to the conditions that prevail in the labor market. That most industries could easily sustain the demands for a fair standard of living, there is not much doubt. The Massachusetts Minimum Wage Commission called attention to this fact: "In many industries the wages paid bear little or no relation to the value or even to the selling price of the worker's output. Wages among the unorganized and lower

grades of labor are mainly the result of tradition and of slight competition."[1]

Until wages are adjusted to the needs of a decent living, we must continue to witness a vast amount of poverty in this country. These conditions of living will continue to press upon the lives of the workers, pushing many below the poverty line and through the social conditions that poverty creates, pushing many still further down into pauperism, and making them objects of public and private relief.

2. The second cause of poverty is overwork and fatigue, due to the speeding up in industry.

The changes in industry which have accompanied machine production have reduced multitudes of workers to the condition of becoming mere "tenders" of machines; but with the higher efficiency, and with the greater strain demanded by a larger productive output, have subjected the minds and bodies of the wage earners to a higher tension. This has reacted upon them in weakening their efficiency and prematurely leading to physical deterioration. Long hours and increasing strain have inevitably led to over fatigue and to all the nervous and physical evils that go with such fatigue. Overspeeding in industry has often gone beyond

[1] Mass. Minimum Wage Commission. P. 18.

the limits of physical endurance, both to the detriment of the worker and to the loss in the quality of the product. The worker in a shoe factory who is required to trim with a high-power machine the soles of 5,200 shoes in a day of nine hours; the woman in the textile industry who is called upon to watch from 12 to 16 looms, when in the early days of the industry 4 to 6 looms was the limit, undergoes a strain and a fatigue that is detrimental to their continuous efficiency over a series of years, and surely ends in casting aside the worn-out workers and replacing them with new and younger operatives.[1]

But it is not alone in these industries that the effects of overstrain and fatigue are seen. In the steel industry the workers labor under conditions that ultimately wear out the men. The excessive heat, hard labor, and long hours to which the men are subjected have their sure effect.

"We have noted the speeding-up system in all its ramifications: the 'pushers' who drive the common laborers; the gang system at the furnaces and at the rolls, which, combined with the tonnage system of payment, makes the steel blooms and billets do their own driving; the cash rewards given to foremen and superintendents in the cor-

[1] Fatigue and Efficiency. Goldmark. P. 51.

poration mills for helping to keep up the tension; and, finally, the judicious cuts from time to time in the rate of pay per ton, which make the men put forth the last ounce of energy to prevent a wage loss. All these, together with the heat and danger of accident, result in overstrain and exhaustion, both mental and physical."[1]

How much this means may be surmised from the extent that improved machinery and increased production have gone hand in hand with the diminution in the number of workers.

In the steel industry, "in 1901, 680 men were required to handle 1,918,160 tons of ore, or 13 tons per man per day. In 1910, during the same number of days, 109 men handled 3,825,963 tons of ore, or 164 tons per man per day. Under this increased pressure, the production efficiency of each man was twelve times as great as in 1901."[2]

While this increased output of production was caused by the introduction of new machinery, yet it was also obtained at the cost of the health and strength of the workers. It induces a premature breakdown in middle life, decreases their efficiency, and ultimately leads to loss of employment.

Mr. Fitch said, "I was often told by work-

[1] Steelworkers. Fitch. P. 201.

[2] Labor Conditions in the Iron and Steel Industry. Vol. 3, p. 290.

men of forty and forty-five that they had been at their best at thirty years of age, and that at thirty-five they had begun to feel a perceptible decline in strength."[1]

Under these conditions, poverty is surely the lot of the workers, if they survive any great number of years. But, fortunately for them, death overtakes them much earlier than those of the well to do classes. Once I asked an excellent workman in middle life, What happens to the older men in the factory? And he replied, "They have died off."

Such an experience seems to be no exception to the rule. How many overwork and over fatigue kill off in a year, we do not know. This, however, we do know that the lives of the wage earners are shortened eighteen years below that of the professional classes and the class just above them in the economic scale.

But the evils of overwork and overstrain are felt not alone in the increased mortality; fatigue is the cause of many of the evil effects which are so commonly associated with poverty. It conduces to defects of character which drive so often the poor into the destitute class. Professor Fisher says, "The fatigue of the workingmen is largely traceable to their long day and serves to start a vicious circle. Fatigue puts the workman

[1] Steelworkers. Fitch. P. 183.

in an abnormal frame of mind. He seeks to deaden his fatigue by alcohol, tobacco, exciting amusements, and excesses of various kinds. The momentary relief which he thereby obtains is purchased at the expense of an increasing susceptibility to fatigue, resulting sooner or later in complete deflection of his vital energies and in the contraction of tuberculosis or other fatal diseases."[1]

It is this depletion of the vital energies of the workers which renders them so liable to disease. The immunity from disease, which is a marked feature of the well to do classes, is due, in a large measure, to this relative immunity from over fatigue. The prevalence of colds, tuberculosis, and rheumatism among the wage earners is due not to their greater exposure to the germs of these diseases, but to the overstrain and over fatigue to which they are so often subjected. Under such conditions they lose the immunity from disease which is enjoyed by the more favored part of the community.

3. It is this fact which leads sickness to play a peculiar part as a cause of poverty. How many sickness forces below the poverty line, we do not know, but it must have a vital influence on the lives of thousands. Among the causes of poverty given by the Association for Improving the Condition of

[1] National Vitality. Fisher. P. 667.

the Poor for the year 1912, we find that 40 per cent. of 6,000 families asked for relief because of sickness.[1] This shows, at least, the large place that sickness holds in breaking down the standard of living among the wage earners. It has been estimated that three million persons are seriously ill in this country every year. Of this number, at least 900,000 are to be found among the industrial workers over fifteen years of age. Professor Seager thinks that "making a moderate estimate that 500,000 of these are wage earners with families, it is safe to say that illness depresses the lot of more than 200,000 persons."[2]

This, undoubtedly, is not an overestimate. The wage earners are peculiarly liable to sickness, not only from over fatigue, due to the long hours of work, but to the unhealthy conditions under which many industries are carried on. It is largely among the working classes that tuberculosis flourishes. It finds its ready victims among those who are compelled to work among the dust laden atmosphere of our textile and metallic industries and who dwell in the centres of population where low wages and overcrowding create congestion in the home. It is claimed that there are 500,000 sick with tuberculosis every

[1] N. Y. Association for Improving the Condition of the Poor. 1912.

[2] Social Insurance. Seager. P. 17.

year, "of whom one-half are totally incapacitated from work and the others are only able to work about half the time." In the slaughtering and meat packing industry, the commission points out that "the nature of the packing industry is such that many of the employees are compelled to work under conditions unfavorable to health in the refrigerator rooms, and that tuberculosis, rheumatism, and other diseases are very prevalent."[1]

The effects of these conditions of living are manifest and serve to force many below the poverty line. "Bad housing," it is said, "was one of the causes of sickness and sickness leads to unemployment," and so the vicious circle goes on and unemployment ends so often in poverty. Many a family which could have kept its head well above the poverty line has succumbed under the pressure of some sickness that has ended in unemployment, inefficiency, disability, or pauperism. When we consider that this condition is largely preventable, the responsibility of society cannot be shirked. A nation calling itself civilized cannot, for a great while, tolerate such conditions.

4. Another great cause of poverty is industrial accidents. The number of accidents due to no fault of the wage earner, but belonging to the risks of modern industry, is

[1] Immigrants in Industry. P. 89.

appalling. The number of industrial accidents in the State of New York is an indication of the extent to which accidents prevail throughout the country.

	Temporary	Permanent	Fatal Injuries	Total
1912	59,248	2,368	621	72,789
1913	64,307	2,412	830	94,523

It was stated in the report that of the total number of cases for 1913, there were 9,335 compensable cases.[1]

While it is not possible to give the number of accidents for the whole country, yet, if we turn to the statistics of the industrial accidents in mining and railroads for a series of years, we can form some idea of their prevalence in the United States. Between the years 1904-13 inclusive, 25,370 men were killed in the coal mines and 63,000 men were injured, reckoning the injured as two and a half times the fatalities. The number of accidents on the railroads for three years is as follows:

	Killed	Injured
1912	10,585	169,538
1913	10,964	200,508
1914	10,302	192,662[2]

In the year 1914 alone, excluding the passengers and trespassers on the property of the railroads, we find that 2,850 employees

[1] N. Y. Bulletin of Labor. No. 68, Pp. 39, 105.
[2] Report of Interstate Commerce Commission.

were killed and 51,938 were injured. And in the industrial shops connected with the railroads, there were 409 killed and 113,274 injured.

It was estimated that, in the whole of the United States, we have 30,000 fatal accidents every year, and allowing one-third for those without a family, "we have," according to Professor Seager, "20,000 reduced to destitution by such accidents. In consequence of these accidents, some 15,000 widows and some 45,000 children are added every year to that group of unfortunates who are forced by necessity to accustom themselves to a hand to mouth existence."[1]

Surely this is a conservative estimate. Rubinow, in a later work, states that there are 50,000 fatal accidents in the United States and 60,000 crippling injuries, and he says, "assuming only thirty active years, it would mean that about 10 per cent. of our productive workers must sooner or later suffer not only bodily injury, but even mutilation."[2] While the number who have been affected by permanent injuries has not been computed, still this is a fair estimate, if we take into consideration the accurate returns available of accidents in the mining, railroad, and the recent records of the New York State Labor Department. Moreover, it is

[1] Social Insurance. Seager. P. 15.
[2] Social Insurance. Rubinow. P. 61.

worthy of note that the rate for accidents in this country is much higher than in Europe. In England and in Germany industrial accidents have been much reduced since the passage of workmen's compensation laws. These laws have relieved many families from destitution each year. The passage of compensation laws by many of the States has done much to relieve the situation; but, until a national workmen's compensation law is passed, industrial accidents will force many families below the poverty line. In all probability there are from one hundred to one hundred and fifty thousand persons whose standard of living is much reduced every year.

This means that in every ten years one million or more persons in the United States are driven to the verge of poverty, many of whom become charges upon public and private charity.

5. Finally, the greatest cause of poverty is unemployment. The extent to which unemployment exists in any one year is not easily stated. This is so for two reasons.

1. Because no accurate and reliable statistics exist for all the industries of the country. 2. Because unemployment is subject to great variations due to seasonal trades, industrial crises, and the displacement of labor through new inventions and machinery. In times of prosperity unemployment is re-

duced to a minimum and labor is largely employed throughout the year with the exception of that portion which is seasonal in its nature. In periods of depression and industrial crises, unemployment reaches its maximum and the amount of labor unoccupied assumes tremendous proportions. The ratio that unemployed bears to employed labor has been pretty well determined by the labor reports of organized labor in the various States, by the census of the United States, by the Congressional investigations, and by the Geological Survey of the mines. The census of 1890 gave 15.1 per cent. of all persons engaged in gainful occupations as being unemployed at the time the census was taken; in 1900, unemployment had risen to 22.3 per cent. As this is considered as being more accurate, the returns are of much significance. Out of a total of 29,073,233 engaged in gainful occupations, 6,468,964, or 22.3 per cent., were out of employment.

OUT OF EMPLOYMENT

	Males	Females
One to three months	2,593,136	584,617
Four to six months	2,069,546	485,379
Seven to twelve months	564,790	171,496

"It appears that approximately four persons out of five who claimed gainful occupations were continuously employed throughout the census year, while the fifth person was idle for a period varying from one to twelve

months."[1] Probably many of the unemployed were children who were obliged to go to school for some months, and hence gave up their work; but the fact remains that 10.8 per cent. of the males and 13.8 per cent. of the females were out of employment for over seven months.

These facts, however, give no indication of the number out of work through disability or from disinclination to seek work. Mr. Sargent states that those idle one to three months constituted 10.9 per cent. of all persons ordinarily employed; those idle four to six months constituted 8.8 per cent.; and those idle seven to twelve months 2.5 per cent."[2]

In an investigation of 25,440 workingmen's families in 1903, representing 124,108 persons, distributed in thirty-three States, it was found that 12,154 of the heads of these families were idle some portion of the year and the average period of idleness was 9.43 weeks.[3]

That is equivalent to the loss of two and a quarter months through unemployment by one-half of the workers. The recent report of New York State gives the amount of unemployment in the trades unions covering

[1] U. S. Census. 1900.

[2] U. S. Bulletin. No. 109, p. 10.

[3] 18th Annual Report of the U. S. Commissioner of Labor. 1903.

a series of years. The amount of unemployment rises with the years of trade depression and falls with the years of business revival.

In the years of prosperity, 1904-05, the proportion of unemployment was smallest, 4.9 per cent. and 5.7 per cent. respectively; and in the years of trade crises was largest, 1908, —22.5 per cent.; 1913,—16.1 per cent.; 1915, —28 per cent. It does not follow that these percentages would hold true for unorganized and casual labor; but other signs point in the same direction. For the year 1913, while the average of unemployment in all trades was 16.1 per cent. idle, it varied very much with the different trades, being highest in the building and clothing trades, 18.3 per cent. and 24.8 per cent. respectively, and indicating the seasonal character; and lowest in the occupations like theatres, music, and public employment, being 1.5 per cent and 3.4 per cent. Turning, now, to the coal mining industry, we find that unemployment is a permanent factor, varying with good and bad years, but always amounting to about 20 per cent. of the working time of the mines. Mr. Sargent, basing his facts on the reports of the Geological Survey, says, "During the best years coal mines are idle one-fourth of the time, and both anthracite and bituminous mines have often averaged less than 200 days each year. The amount of enforced idleness has varied, therefore, on the assumption that

there are 300 working days in the year, from 22 per cent. to 43 per cent. of the working time of employees annually in the bituminous mines, and from 23.7 per cent. to 50 per cent., disregarding the year 1902, in the anthracite mines. . . . It should be remembered that the unemployment here shown in the coal mining industry is only that due to lack of work. Unemployment due to sickness, accidents, or other causes is not shown.''[1]

This loss of working time is a serious thing when we consider the number of miners employed, — some 747,000, — and the effect that this loss has on the standard of living of their families. It is evident that seasonal work, trade cycles of bad years, and casual labor, peculiar to some industries, cause a large amount of unemployment. It would be rash in the present stage of statistical data to attempt to arrive at an accurate statement of its amount; but taking the ratio of percentages that all the investigations reveal, we may approximate that the unemployment averages from 5 per cent. to 10 per cent., according to the conditions of trade. So that we can assume that 1,500,000 workers lose anywhere from three to six months' time in a good year; and this may be increased to three millions in a year of trade depression, like that of 1908. At the present time it is certain that 1915 marks a

[1] U. S. Bulletin. No. 109, p. 28.

period of widespread unemployment. In New York City alone, during this winter, it was estimated by the Metropolitan Insurance Co. that there were 350,000 idle men. What relation this bears to the whole country, no one can say, but we can feel very certain that, at least 2,000,000 persons were unemployed last winter; and this is due not to personal choice or to laziness of the wage earners, but largely to industrial conditions. President Vail of the Telephone Co. has recently given this estimate of the amount of unemployment.

After a careful survey of all the causes of idleness, made by Mr. Sargent, he comes to this conclusion: "This brief consideration of causes of unemployment is sufficient to establish as fallacious the frequent assertion that all who desire work in the United States can obtain it. Even if at the best seasons of the best years, industrially, all who wanted work were employed, some would be out of work the next month, and many more, the following year or within a very few years. Those who become unemployed would, of course, be the less efficient; but, if all were equally capable, some would lose their jobs simply because industry could not use them."[1]

Now what effect does unemployment have upon the lives of the wage earners? All

[1] U. S. Bulletin. No. 109, p. 33.

authorities are agreed that it leads to demoralization in the long run, and lowers the standard of living for the time being. "The unemployed," says Beveridge, "presents almost always a combination of two distinct economic factors in poverty, underemployment and fluctuations of industrial activity."[1] If wages were graded with regard to "fluctuations of industrial activity" conditions would be much improved. But living at the margin of a decent standard of existence, the worker has no reserves to meet the period of unemployment, and its consequences are immediately felt.

Moreover, the lowering of the standard of life comes so often at the winter season, when the price of food is higher, more clothing is needed, and fuel and lights are more expensive. Then it is that the wage earner comes very near to the poverty line. No longer being able to maintain himself by his weekly wage, he runs into debt and mortgages his earnings for the future. He cuts down his living expenses to the lowest figure, curtails in his food, and endures partial starvation.

Rowntree found this to be true in his investigations at York. "I was able, in York, to obtain household budgets from some unemployed families, and I found that the best fed were only getting two-thirds and the

[1] Unemployment. Beveridge. P. 148.

worst fed only one-third of the food necessary for the maintenance of physical efficiency. The health of the people living under such conditions very rapidly deteriorates, and the loss of physical vigor is only slowly made good after the actual starvation ceases."[1]

This loss of physical vigor not only is experienced by the father, but also by the wife and children. It furnishes the opportunity for the attacks of disease and sickness. During such times of underfeeding, the physique of many workers is broken down and the children are stunted in their growth and development. This renders them unfit to stand the strain of work in after years and makes them inefficient, and the first to lose their places in times of unemployment. It is the weak and ill-trained youth who first go down in the industrial struggle. And their inefficiency and physical weakness can often be traced to the time when the father was unemployed. But worse than this, unemployment sends many a family to the poor relief for aid. Under the pressure of want, they are forced to seek outside aid. In 1912 the Association for Improving the Condition of the Poor found that 37 per cent. of the 6,000 families applied for aid simply because of unemployment. They had no defects of character; but they were

[1] The Way to Industrial Peace. Rowntree. P. 139.

the victims of a period of industrial depression. How many of the vast number of the unemployed apply for aid, we do not know; but it is probably much larger than the public suspects. The Massachusetts Minimum Wage Commission discovered that many of the girls on small wages sought charitable relief to eke out their meagre wages.[1]

Certainly the hard conditions of unemployment which lower the standard of living to bare subsistence tempt many to seek the help of charity. Thus while waiting for work they form those habits of dependence which end so often in pauperism. It has been said, "Trade depression, just as it increases the volume of crime, increases also the volume of vagrancy."[2] It is not a far step for a man who is seeking employment to the life of the vagrant and of the wanderer. No workman can be idle for from four to six months without disastrous results to his efficiency and character. At such times he loses his ambition and often his self respect. His body is badly nourished and a half starved man quickly deteriorates. He forms habits of shiftlessness and drifts easily into the class of the unemployables. It is a remarkable fact, and one that demands more attention than it has yet received, that the large majority of those who come to the charity organ-

[1] Mass. Minimum Wage Commission. P. 85.
[2] Unemployment. Beveridge. P. 137.

izations, asking for aid, come not because of defects of character but because of sickness and unemployment. For such reasons the Association for Improving the Condition of the Poor found 77 per cent. of 6,000 families applying for aid.[1] And Dr. Devine, in his long experience in dealing with the poor, found a similar condition. "Distress," he says, "due to unemployment resulting directly from the faulty judgment and reprehensible practice of financiers and other business men, is a form of that maladjustment which I hold to be responsible for so large a part of our poverty."[2]

The problem of unemployment is the greatest factor in increasing poverty which our industrial system presents. It underlies all other social problems. It is unemployment that manufactures poverty. It begins with reducing the standard of living; it ends by creating in the workers loss of self respect, shiftlessness, dependence, and destitution. The fact remains that poverty, in spite of all the agencies of public and private relief, creates each year a heavier problem. This problem is not caused by the weakness of human nature or by the personal defects of the workers; it is due to social maladjustment, to economic crises in trade, to seasonal work

[1] Report of Association for Improving the Condition of the Poor. P. 3.

[2] Misery and Its Causes. Devine. P. 200.

in industry, that ends in throwing multitudes out of employment and, therefore, creates the conditions under which the weaknesses of men are accelerated and accentuated. These men are not unemployed because of their inefficiency or their inability to earn a wage, but on account of the maladjustments of industry.

Mr. Beveridge, after an exhaustive study of unemployment, notes three things which throw much light upon this problem.

"First, the number of the entirely unemployable class, though uncertain, is certainly not very great.

"Second, the most practical way of improving human character lies often in abolishing industrial or social conditions which induce or pander to the vices of idleness, slovenliness, irresponsibility.

"Third, no conceivable improvement in the character of the workmen will eliminate the main economic factors in unemployment."[1]

In the last analysis, then, the chief causes of poverty are to be found in the economic forces of modern society. The amount of poverty which is due to defects of character must necessarily be small. It is almost negligible as compared with the poverty which is the result of the individualism of our industrial system. As long as society is content to deal only with the effects of pov-

[1] Unemployment. Beveridge. P. 138.

erty, and to leave the causes which manufacture it unchecked and uncontrolled, we must expect to see poverty increase and multiply in this country. But there are many signs that men are being touched with a new social spirit. The cry for social justice is something more than a political phrase. It is the expression of a deep-seated conviction in the minds of multitudes of men and women that our society must be organized along the lines of justice and humanity; that business ethics must conform to the eternal law of righteousness. How this principle can be practically carried out in society today, we shall consider in our next chapter.

III
THE REMEDIES FOR POVERTY

CHAPTER III

THE REMEDIES FOR POVERTY

All experience in public and private relief justify the belief that the abolition of poverty is not to be expected from any of the modern methods of charity. Charity deals with the effects, not with the causes of poverty. No matter how large our philanthropic agencies, or how splendid their generosity may be, they are inadequate to meet the needs of modern society. While they may do much to mitigate and to alleviate the evils of poverty, they can do little to abolish it.

The constant crowd of the poor applying to these charitable agencies in times of distress, seeking their aid in a steady stream year after year, seems to confirm the opinion that the poor are always with us; yet everywhere these agencies are found to be powerless to limit the number of the poor who are constantly being recruited from the factories, mines, and industries of the land. It is this hopelessness of the problem of poverty that, at first, strikes the superficial observer of social conditions.

Indeed, it is only when we turn to the

remedies which involve changes in the social conditions of a drastic character, that we find any ground for hope that poverty can be exterminated. It is evident that any methods to be effective must strike at the roots of poverty. It is useless to spend our energies in pruning the branches and spraying the leaves of the tree, if the root is diseased. We must restore the root to health if roses of quality and beauty are to be developed. Too much of our philanthropy is just pruning and spraying. It deals only with the surface conditions of social and economic life. It fails to touch the causes of the disease. Now, social workers have done invaluable service in tracing to their source the causes of poverty, and in indicating where the remedies are to be found. To some extent, these remedies are to be sought in legislative and social reforms; but to a greater degree in economic changes in the methods of the production and distribution of wealth.

There are three methods which have been advocated by social reformers as a means of abolishing poverty.

In the first place, they have advocated the minimum wage. The minimum wage is recognized as a possible method of assuring to every wage earner a living wage, below which wages may not go and above which wages may advance with the efficiency of the individual worker. That such a wage will

have a marked influence upon the physical and moral nature of the workers, there can not be a shadow of doubt. The present standard of wages in many industries is responsible for the degradation of the lives of thousands of workers.

The minimum wage commissions established in the States of Oregon and Massachusetts have brought to light some very bad social conditions.

In Oregon, "investigations had proved beyond a doubt that a large majority of self-supporting women in the State were earning less than it cost them to live decently; that many were receiving subsidiary help from their homes, which thus contributed to the profits of the employers; and those who received no assistance from relatives were breaking down in health from the lack of proper nourishing food and comfortable lodging quarters, or were supplementing their wages by money received from immoral living."[1]

Much the same facts were revealed by the Massachusetts Minimum Wage Commission on Women Wage Earners. Many industries were found to be parasitic in character and paying wages insufficient for a decent living.[2]

The commission mentions four ways in which such industries are subsidized. 1.

[1] Survey. 1914. P. 741.
[2] Report of Minimum Wage. P. 21.

Direct charity. 2. A direct subsidy to the worker through State aid. 3. An indirect subsidy from industries which do pay a living wage. 4. An indirect subsidy taken from the physical and mental capacity of the worker's health.

To the present time the commission had investigated four industries which were subsidized in these ways,—the corset, laundry, brush-making, and candy industries. The wages of many of the workers were below the standard of a decent living, measured in the values of the cost of living today.

In the corset industry of Massachusetts more than one-half of the wage earners, 53.5 per cent., received less than $7.00 a week; and 35.5 per cent. received on an average less than $6.00 per week. The meaning of these wages is seen when the commission established a minimum wage in the brush-making industry of $7.75 a week as necessary for a decent living.

This establishing a minimum wage on the grounds of humanity is open to the objection that it places upon the industry an undue burden which the industry cannot long sustain. No minimum wage can be maintained which results in either a loss of trade or in increasing the amount of unemployment. If either of these conditions should arise, it would ultimately destroy the principle of the minimum wage. At first, the minimum wage

creates the impression that it is a method of taxing the efficient worker for the sake of the inefficient; that it invites an industry to pay more than each worker earns. If this impression be true and sustained by the economic conditions of business, then a minimum wage cannot be established in modern industry. But it is not clear that these conditions will result from the legal minimum wage. On the contrary, wherever the minimum wage has been tried, it has led to very little disturbance of business efficiency and employment. It is often overlooked that the minimum wage, in giving to the workers the means for a decent living, leads to an increase of efficiency and enables them to earn the higher wages which are paid.

All objections against the minimum wage lose sight of certain salient facts.

First. That it is not proposed to establish the same minimum wage in all industries; but the wage is to be adapted to the costs and conditions of each industry, and is only to be determined as the result of collective bargaining between the employer and the employees, under the supervision of the minimum wage commission. This is the plan adopted in Massachusetts and is being followed in other States.

Second. That the legal minimum wage is not a new experiment in industry; but it has been tried out with marked success since 1896

in New Zealand and Australia. So satisfactory have been the results of these minimum wage commissions there that the principle of a legal minimum wage has now become a permanent policy in those countries. In sixteen years the industries have increased by 60 per cent., and the number of workers has doubled.[1] Moreover, the minimum wage has been tried in England in a few of the sweated industries in 1909. Since then the sphere of its influence has been gradually extended, until many industries have adopted it as a permanent policy. The fear that the minimum wage would diminish the productivity of the industry has proved groundless. On the contrary it has increased the productive output and augmented the efficiency of the workers. The British Commission, speaking of the chain-making industry where the law became effective in 1909, said: "What about the effect on trade? If one may judge by appearances, the trade has actually thriven. The cry of most employers is that they cannot get enough workers, and some anxiety is expressed as to the future, should the recruitment of young chain makers not be augmented."[2]

Therefore, there is no reason to suppose that industries in this country will suffer from introducing the principle of the mini-

[1] American Economic Review. Webb. June, 1913.

[2] New Statesman. Mallon. Feb. 21, 1914.

mum wage. Judging by its effects elsewhere, it will tend to increase both the quantity and the quality of production, because it will develop more efficient wage earners. Indeed, workers who are well fed, clothed, and housed, secured of a good living, will be better fitted for their work, for these physical conditions will react upon their mental and moral character.

Third. What about the industries that are badly managed and unable to meet the demands for a living wage? What will be their fate? The answer might be to discontinue them. It is claimed that an industry which can only exist by paying starvation wages is a menace to national welfare. Such an instance arose in Australia in the mining industry, which applied for permission to reduce wages below the minimum rate. Mr. Justice Higgins took the position that even the danger of closing the mine was no cause for exemption.

"I face the possibility," he said, "of the mine remaining closed with all its grave consequences; but the fate of Australia is not dependent on the fate of any mine; or of any one company; and if it is a calamity that the historic mine should close down, it would be a still greater calamity that men should be underfed or degraded."[1]

[1] American Economic Review. June, 1913. Vol. 3, p. 283.

Where the legal minimum wage had been established for many years in a country, such drastic action might be advisable; but it would be wiser to move more slowly with industries where the minimum wage was a new thing. Great care must be taken not to inflict any injustice upon the employers and the employees. The risks of unemployment and the extinction of an industry are not to be taken lightly. A gradual introduction of the principle of the minimum wage might save the inefficient and aged workers from unemployment. At the same time it should be the aim of the commission to eliminate the inefficient employer whose industry can only exist by being subsidized by charity and other industries. The claim that such an elimination is economically unwise is substantially the claim that an industry is justified, even if it involves the sacrifice of the lives of the workers. The industries in which such conditions exist are in a small minority. In nearly every instance where the minimum wage has been established it has resulted in more efficient workmen, increased production, better business management, and, above all, in the industry paying the full costs of production. The fears of increased unemployment, of the closing down of factories, of cruelty to the aged worker, have not been realized. The gradual introduction of the system has allowed industry to adjust itself to the new conditions.

While it is not claimed that the minimum wage alone will lead to the abolition of poverty, yet it is claimed that it will be a step in that direction. It will do much to lift the burden of poverty from the shoulders of the more poorly paid workers and guarantee to them a fair living. But it will still leave much to be desired.

In the second place, the democratization of industry through profit sharing and copartnership is suggested as a remedy for poverty.

This principle is slowly making its way in industry today. During the last century it has been tried with success in some industries and with failure in others; but the last few years have witnessed a renaissance of the plan of profit sharing. One reason for this is the recognition that the present organization of industry is not conducive to industrial peace. Another reason is that many thoughtful employers realize that the present wage system offers no hope of bettering the living conditions of the workmen. A third reason is that the wage earners are demanding better living conditions and wages which will make such conditions possible.

In spite of all the efforts of the trade unions through collective bargaining, wages have not risen in any appreciable degree among the mass of the wage earners. With the growth of democracy and intelligence among the workingmen, the belief has arisen

that labor is not receiving a fair share of the profits. That this belief is justified appears to be the almost unanimous opinion of the leading economists from John Stuart Mill until the present time. They pointed out long ago that profit sharing was the natural way along which this readjustment will take place. Possibly no severer indictment of the present system has ever been written than that by J. S. Mill. "The value of this organization for healing the widening and embittering feud between the class of laborers and the class of capitalists must, I think, impress itself by degrees on all who habitually reflect on the conditions and tendencies of modern society. I cannot conceive how any such person can persuade himself that the majority of the community will forever, or even for much longer, consent to hew wood and draw water all their lives in the service and for the benefit of others, or can doubt that they will be less and less willing to coöperate as subordinate agents in any work when they have no interest in the result, and that it will be more and more difficult to obtain the best work-people, or the best service of any work-people, except on conditions similar in principle to those of M. Leclaire. Although arrangements of this sort are now in their infancy, their multiplication and growth, where once they enter into the general domain of popular discussion, are

among the things which may most confidently be expected."[1]

While the confidence of Mill in the spread of the plan of profit sharing has not been justified, still there have been enough experiments of the plan to keep alive the hope that it would ultimately be adopted in industry. The growing consensus of opinion as to the value of profit sharing is beginning to be realized in the field of industry. Capitalists are turning to it as a solution of the problem of industrial unrest.

But the question naturally arises, Will profit sharing bring about the desired results? Will it lead to a real betterment of the conditions of the working classes? It is a sign of the times that the plan of profit sharing is being considered and adopted as never before. It has recently been investigated by the British Board of Trade. The results of this investigation are enlightening. While the cases of failure are many, yet the cases of success of the profit sharing plan more than offset the failures. An American capitalist and one connected with many great industries gave it as his opinion, "that practically all of the many failures of profit sharing plans, both in this country and in Europe, have occurred because at bottom the plans were not honestly devised nor equitably

[1] Political Economy. Mill. Bk. 4, No. 7.

worked out."[1] The British Board of Trade in its report of 1912 gives 300 cases of profit sharing which have been tried in Great Britain since 1829. More than one-half of these schemes have failed, and in one-half the number of failures it is stated that the "cause of abandonment seems to be traceable not to any inherent fault in the scheme as such, but to the falling off of business and to the fact that there were no profits to share."[2] In the other half the reason seems to be due to the dissatisfaction of the employers on the one hand and to the apathy and dissatisfaction of the employees on the other.

There are three reasons why the profit sharing plan has not always been successful in the past.

First, because the plan has not always followed the true profit sharing principle. The employers have expected too much from their employees and have only been willing to share with them the excess of profits due to the greater efforts of their workmen. In some cases the plan has been confused with a payment of "bonus on output, a premium proportionate to savings effected in production and commission on sales, irrespective of the rate of profits earned." This, however, does not constitute profit sharing according

[1] Natl. Retail Dry

[2] Report on Profit
Pp. 1, 3. Cd. 6496.

to the standard of the British Board of Trade, which thus defines it,—"Profit sharing is understood to involve an agreement between an employer and his work people under which the latter receive an addition to their wages, a share, fixed beforehand, in the profits of the undertaking."[1]

Second. The plan has failed because the employers have not given it a fair trial. Before profits were declared, too large a share of the earnings was diverted to dividends, to funds for depreciation, and to repairs and management.

Third. The profit sharing scheme failed because it was used as a weapon to fight trade unionism. A striking instance of this is the history of the scheme in the Briggs' Colleries, England. Their plan failed because, while honestly devised, it did not allow for the strong hold that the trade union had upon the workmen. This antagonism of the firm to the trade union was enough in itself to invite failure.

Now, it is recognized today that no profit sharing plan can permanently succeed which proceeds on these lines. For it is the trade union which, through collective bargaining, fixes the standard rate of wages. If the wages paid are lower than this rate under the profit sharing plan, there is a suspicion among the workers that they are getting no

[1] British Trade Report on Profit Sharing. P. 1. Cd. 6496.

more than they would have received if the standard rate of wages were paid. Profit sharing to be effective must be honestly devised if the results to be expected from it are to be attained. While making due allowance for the failures in the past, yet there are two good reasons why the profit sharing scheme should commend itself to men today.

In the first place, it is equitable.

It is based on the conviction that the wage earners are entitled to share in the profits which their industry has helped to create. This is not a question of philanthropy or generosity on the part of the employer. It is a question of justice. The wage system does not give to the workers all that they ought to receive; but the profit sharing scheme partly remedies this defect. It gives to them a more equitable share in the economic surplus.

That the evolution of the wage system is tending towards profit sharing and coöperation in business has long been the opinion of the leading economists. It is recognized as the best scheme of harmonizing the mutual interests of the employer and his workmen. But, better still, it creates the spirit of coöperation, which inevitably leads to increased production, higher efficiency, and larger profits. "As a rule the relations between employer and employed," says Professor

Marshall, "are raised to a higher plane both economically and morally by the adoption of the system of profit sharing; especially when it is regarded as but a step towards the still higher, but much more difficult, level of true coöperation."[1]

Apart from the economic merits of profit sharing, the moral advantages that arise from a more equitable adjustment of profits is not to be ignored. They are one factor, if not the most important factor, in the smooth working of industry and in the settlement of many questions which underlie the social problem.

But it is claimed that, if the employees enjoy a share in the profits, they ought also to share in the losses. Possibly this argument has more weight with most employers against the profit sharing plan than any other. To this, the reply of M. Godin, who was one of the best employers of labor in France, and furnished a standing example of the profit sharing plan, may well be weighed. "This argument is specious. It is not true in effect that labor is not exposed to the chances of loss; its losses are felt in a form different from those of capital, but they are none the less real for that. Is it not a loss for labor when the course of industry necessitates a reduction in wages? Is it not a loss for labor when unemployment

[1] Economics. Marshall. Second Edition. P. 715.

arrives and wages cease with the closing down of the workshops?"[1]

Besides this the wage earners have always the risk that, in spite of their greater efficiency and efforts, there will be no profits to divide at the end of the year. In many instances they are at the mercy of bad and incompetent business management, dulness of trade, and commercial crises. These are conditions that always must be faced in any plan of profit sharing. But these conditions are not of such a character as to interfere with the successful working of the profit sharing scheme.

Second, it is practicable. The profit sharing plan has now been tested long enough to show that it is practicable and meets all the demands that its advocates have claimed for it. Where it has broken down, it is largely due, not to any inherent fault in the plan, but to lack of faith in the scheme by the employers and the employees.

In the British Trade Report it is shown that out of 133 firms and merchants who have instituted the plan, three date before 1870; twenty-six established the plan between 1870-90; twenty-three, between 1891-1900; and eighty-one inaugurated the plan between 1900-12. The plan has been inaugurated in manufacturing plants, gas works, wholesale and retail stores, and in general indus-

[1] Quoted by Fay. Copartnership in Industry. P. 134.

try. The success of the plan in most cases is unquestioned. Firms which have tried the profit sharing plan for twenty years or more express themselves as well satisfied with the results. Two instances will suffice.

Messrs. Ballantyne and Co., woolen manufacturers, employing 840 men, of whom 729 were entitled to share in the profits, writes: "After nearly twenty years' experience we have no hesitation in saying that our system of profit sharing does call forth extra zeal. It has certainly helped to promote the most harmonious relations between us and our employees."[1]

The general manager of the Bournemouth Gas Co. says, "The result of the scheme is to create and cement conditions of mutual interest, cordiality, and good will, which cannot be obtained by any other existing system with which I am acquainted."[2]

In the United States the most successful scheme, and one with the longest history, is that of the N. O. Nelson Manufacturing Co. of St. Louis. The profit sharing plan was established in 1886, and with some modifications has been continued until the present time. Concerning the success of his scheme, Mr. Nelson says, "It is a solution of the labor problem on business lines, and every

[1] British Trade Report. P. 70. Cd. 6496.
[2] *Ibid.* P. 73.

employer that takes it up will agree with me.''[1]

Another example of profit sharing is that of the Proctor and Gamble Co., soap manufacturers, of Ivorydale, near Cincinnati. In 1913 a majority of the employees, representing about 80 per cent. of the wages paid, were stockholders. The workers held about 3,000 shares, worth $1,650,000 in the market.

It is stated that ''both technically and substantially the system amounts to profit sharing and copartnership, and it is a very remarkable proof of the money value which this company sets upon the cordial coöperation of its employees.''[2]

Other examples might be cited where a bonus is given at the end of the year, or where the employees have the privilege of buying stock at the market rates, but these schemes hardly come under the profit sharing plan according to the definition of the British Report.

But more recently the plan was inaugurated by the Ford Motor Co. While the scheme is only a year old, it has met with gratifying success. The profits are paid in the weekly wage and graded according to the efficiency of the workers; 15,000 employees receive $5.00 a week; 800 receive $6.00 weekly; and 200 receive $7.00 per week. Mr.

[1] [2] Copartnership and Profit Sharing. A. Williams. Pp. 159, 162.

Ford does not believe in withholding the profits from the men or depositing them in the business; for, he says, "a man's money is sacred to him, and I don't want to give it away with a string tied to it in that way."

The effects of his profit sharing plan have been everywhere felt in the factories, not only in the efficiency of the workmen, but also in the increase of production. While the hours of labor were reduced from nine to eight, the output increased 15 per cent., and the profits reached $25,000,000. Certainly the results as judged by the amount of the profits, the output, the spirit of coöperation among the employees, and the improved conditions of their social surroundings, are all that could have been expected. That the results continue to be satisfactory is seen by the extension of the scheme to the Ford factories in Canada.

Another instance of the satisfactory working of this plan is to be found in the Smith Carpet factories of Yonkers, N. Y. The factories employ 7,600 workers and a bonus is paid twice a year, based upon length of service and the efficiency of the wage earners. This scheme has been in operation a number of years and its effect is seen in the increased savings of the men and their better social surroundings.

Another instance of the industrial partnership plan is found in the Dennison Manu-

facturing Company of Massachusetts, which instituted its plan in 1911. The reasons given for the institution of this plan are worthy of attention. "The chief motives which led us to reincorporate the Dennison Manufacturing Company in 1911 in the form of an industrial partnership were, first, to provide a better means of distribution of whatever profits there might be in excess of a fair return on capital; second, to make certain that the voting power would always remain in the hands of those intimately acquainted with the Company's affairs." Moreover, the management called attention to the fact that the issue of stock to the employees at a figure below the market value, which had been the plan of the company from its earliest days, "proved insufficient, unsatisfactory, and unfair in many ways." To rectify this difficulty the company drew a distinction between the profit earners and the non-profit earners and merged the control of the business in the principal employees who earned salaries of $1,200 or more a year and who had been with the company seven years. This control, however, was not given until one million dollars of industrial stock had been issued, and was subject to a fixed cumulative dividend of 8 per cent. on the preferred stock which was held by the original owners of the company. All profits in excess of that amount each year goes to the men who earn

those profits, that is, to the principal employees who, at present, number 220 men. The results of this plan have been eminently satisfactory. "Our Principal Employees are not only the working but the governing body and get the fruits and pay the penalties of their management. The plan makes impossible many of the most insidious dangers of the corporate form, such as absentee ownership and the unearned increment, and has already borne fruits of loyalty, delight, and devotion beyond our hopes."[1]

This new experiment in industrial partnership will be watched with interest, and it may mark a new mile stone in the progress of the profit sharing plan where the employees exercise the control of the business and reap all the profits of the industrial stock.

The undoubted success of these profit sharing plans should naturally lead to a large extension of this principle in industry. In England employers have in recent years been turning with new interest to profit sharing as a means of settlement for labor troubles, and as a method for a more equitable distribution of wealth.

No longer are employers using the plan as a means of combating labor unions. This phase is entirely ignored in all recent schemes; and the employers are left free

[1] Industrial Partnership Plan. Published by the Dennison Manufacturing Company. P. 7.

to follow their own inclinations in this respect. Such a change of spirit is better for all concerned, because it must be recognized at the outset, as one of the leaders in England said, "Copartnership assumes a standard wage before there can be any talk of profits to divide; a standard wage assumes organization to maintain it and to raise it. It assumes reasonable forms of trade unionism, collective bargaining, the meeting of capital and labor."[1]

Professor Ashley has pointed out that profit sharing would have a much better chance of success if it were extended to the whole trade in any one line of industry. "If employers accept, as many of them must, the essential principle of profit sharing in its widest sense, viz., that the work people should share in business prosperity, let them seek to carry it out in the only form consistent with democratic conditions, in a form extending to the whole trade to which they belong."[2]

Thus applied, it would have the additional merit of leading to the settlement of many of the social problems which create poverty. Indeed, if profit sharing were more widely extended, it would lift multitudes above the poverty line; and enable many a workman

[1] Copartnership and Profit Sharing. A. Williams. P. 207. Quoted.

[2] Quarterly Review. 1913. P. 530.

to earn enough to support his family decently, and to lay by something to meet the exigencies of life and old age.

In the third place, there are certain phases of poverty which can only be cured by social legislation. Industrial accidents, permanent disability, and unemployment can be removed neither by the minimum wage nor by the profit sharing scheme. On the one hand, such misfortunes, like industrial accidents, require State legislation through workmen's compensation acts; on the other, child labor, long hours, tuberculosis, and disease will only give place to better conditions under State regulation and enforcement.

While something has been done within the last few years along these lines, yet there still remains much to be accomplished. At the present time, workmen's compensation acts have been adopted in one-half of the States, but, owing to the conditions of interstate commerce, these acts will work injustice in some States, unless they are supported by national legislation. Moreover, the experience in England with legislation for insurance for sickness, invalidity, and unemployment should point the way for similar legislation in this country. This legislation was passed in 1911 and provided insurance for sickness and invalidity of 14,000,000 wage earners, and insurance for unemployment of 2,400,000 workers in the engi-

neering, shipbuilding, and building trades. The scheme provided for weekly contributions from the workers, the employers, and the State. The success of the plan has been all that its advocates claimed for it.

While, at the beginning, it was open to some criticism both from the employers and from the employees alike, yet this criticism has now disappeared and the insurance scheme is seen to yield satisfactory results. Such a national insurance plan is needed in this country today. It will do much to remove the evils of unemployment and the crushing burdens of sickness and invalidity, and will save multitudes of the workers in times of stress from destitution and want.

These reforms cannot wait on the slow evolution of business along the lines of the higher economic and ethical spirit. Poverty, which is due to the hazards of industry, unemployment, congestion, and the unhealthiness of the homes of the wage earners, demands immediate attention.

As a thoughtful economist of the conservative school has recently said, "If industrialism has made life more artificial, it is necessary to restore artificially by social action the elements which have been sacrificed."[1]

The humane spirit which is rapidly spreading among all classes will render it intolerable that business should be conducted for

[1] Social Betterment. Chapman. P. 111.

profits which can only be obtained by the increase of poverty and the exploitation of the lives of men, women, and children. If this change means that new methods must be introduced in modern industry; that new laws must be passed which place upon industry the human as well as the material costs of production; that the economic surplus must be more equitably divided between capital, management, and labor; then the welfare of the State and the vital interests of the workers will inevitably bring it to pass.

Society will not consent, democracy will not tolerate forever the present system of industry. It must pass on and up to the higher plane of mutual interests and coöperation, which economists have pointed out as the tendency of modern business. Indeed, all the signs point to a coming change of conditions. If this change can be brought about slowly and wisely with due regard to the interests of all, so much the better; if profit sharing, the minimum wage, and social legislation do not commend themselves to the well-to-do classes, then they may have to accept some more drastic change, possibly like that of State socialism.

The present conditions, with its appalling mass of misery, congestion, ignorance, and poverty, cannot be accepted as the final word by the democracy of this country.

A more equitable distribution of wealth

means wealth more widely diffused and profits more justly shared.

Can the economic surplus taken from industry meet the demands of the higher evolution? What is the amount and the method of distribution of the economic surplus?

These are the questions which we shall consider in the next chapter.

IV
THE ECONOMIC SURPLUS

CHAPTER IV

THE ECONOMIC SURPLUS

The question now to be considered is the amount and the extent of the economic surplus. From the very nature of the case, none of the remedies for poverty which have been suggested can be realized, if their realizations means the sacrifice of the productive power and wealth of the nation. In the last analysis all industrial and social reforms rest upon an economic basis. The minimum wage and the profit sharing plan will make demands on the economic surplus; and social legislation will be financed, either by making industry bear the costs of such legislation, or by placing the burden upon the economic surplus through taxation.

Is the national wealth sufficient to meet the demands of these new social and economic changes? There is no question that during the last twenty-five years the aggregate wealth of the nation has increased at an unparalleled rate. A few persons have enjoyed a large increase of income; many have obtained additions to their salaries; the great majority of the people have not shared to any marked degree in the increase of the national wealth.

That the majority of the population have shared so unequally in the national income is due to the inequitable methods of distribution. To be sure, this statement may be challenged. On the one hand, it is said that the wage earners have obtained their full share of the national prosperity; that they have shared in the national income in proportion to their contribution to the productive output. Take, for instance, the increase of wages and the prosperous condition of the working classes. While it is true that nominal wages have risen in many industries, yet, judged by the rise in the cost of living, real wages have not advanced. On the other hand it is claimed that any taxation of the surplus income for social legislation would work a grave injustice to the wealthy and well-to-do classes. It would tend to restrict savings; to diminish the amount of wealth now invested in productive industries; and to intensify the evils of poverty by increasing unemployment. The truth or falsity of these objections can only be determined by a consideration of the distribution of the annual income and of the national wealth.

The Census returns show that the national wealth has been increasing at an accelerating rate with each decade.

1890 the wealth amounted to $65,037,091,197
1900 the wealth amounted to $88,517,306,775
1905 the wealth amounted to $107,194,192,410
1915 the wealth amounted to $150,000,000,000

This latter estimate is a conservative statement and it may exceed this sum by some billions of dollars. We find, too, that the national income has kept pace with the increase of the national wealth.

This great economic surplus raises two questions of vital interest to the whole nation.

1. How is this wealth distributed?
2. Is the distribution equitable?

1. Within the last century there have been a number of efforts to determine the methods of distribution, but the data were not at hand upon which to base a true estimate. Perhaps the most reliable of these earlier investigations of the distribution of wealth was that made by Dr. Spahr about twenty years ago, based upon the probate returns of the New York State. He gives the relation of the value of individual property to the number of families in the nation.[1] His conclusions are interesting in the light of subsequent investigations.

"Less than half the families," he says, "in America are propertyless; nevertheless seven-eighths of the families hold but one-eighth of the national wealth. While one

[1]

Value of property owned	No. of families	Aggregate wealth
$50,000 or over	125,000	$33,000,000,000
$50,000 to $5,000	1,375,000	23,000,000,000
Under $5,000	11,000,000	9,000,000,000
Totals,	12,500,000	$65,000,000,000

per cent. of the families hold more than the remaining 99 per cent."[1]

His estimate of the distribution of incomes is indicated in the table given below.[2] And the conclusion he reached was that "One-eighth of the families in America received more than one-half the aggregate income, and the richest 1 per cent. receive a larger income than the poorest 50 per cent. of the population."[3]

While the conclusions, owing to the lack of data at the time, were not much more than a fair estimate, yet it is remarkable how they have been borne out by later investigations. Dr. Streightoff, in his study of the "Distribution of Incomes in the United States," is in general agreement with the conclusions of Dr. Spahr.[4]

Since then the returns from the income tax of 1913 have now become available and throw much light on the present distribution of wealth. We can determine with a fair degree of accuracy the number of persons who

[1] Distribution of Wealth. Spahr. Pp. 66, 69.

[2] INCOMES IN THE UNITED STATES

Family income	No. of families	Aggregate wealth
$5,000 or over	200,000	$700,000,000
$5,000 to $1,200	1,300,000	1,560,000,000
Under $1,200	11,000,000	4,200,000,000
Totals,	12,500,000	$6,460,000,000

[3] *Ibid.* Pp. 127, 129.

[4] Distribution of Incomes in the U. S. Streightoff. P. 111.

enjoy incomes over $3,000 a year. According to the income tax return, 357,519 persons, of whom 278,835 were married and 78,763 unmarried, paid a tax upon their personal incomes. But the distribution of income, even among this small number of the population, is still more striking.

23,175 persons paid on income over $20,000 a year
38,795 persons paid on income from $10,000 $20,000 a year
101,718 persons paid on income from $5,000 $10,000 a year
114,484 persons paid on income from $3,333 $5,000 a year
79,426 persons paid on income from $2,500 $3,333 a year

These payments were made on incomes reckoned for ten months of the fiscal year.[1]

23,175 persons paid altogether an income tax of $15,525,496.76.
334,348 persons paid altogether an income tax of $12,728,038.02.

When we remember that these sums were exclusive of income derived from stocks and bonds payable at the source, it is evident that the total income enjoyed by these 357,000 persons was very much greater than the above figures indicate.

We receive further light on this question from the returns of income from corporations. The Report gives 316,909 corporations with an aggregate capital stock of sixty-four billions of dollars and thirty-seven billion dollars in bonds and a net income amounting to $4,339,550,000, or about 7 per cent. on the

[1] Internal Revenue Report. 1914.

stock, preferred and common of every description. This included the income of weak and strong corporations and the stock upon which no dividends had been paid.

Now how was this wealth distributed? Did it go largely to the small class which paid the income tax, or was it more widely distributed? In all probability this surplus of net income went to the small class for these reasons:

In the first place, we know that the wage earners did not receive any of it, because their wages were paid before the net income was declared.

In the second place, when we turn to the ownership of industrial and railroad securities, we notice a similar tendency for ownership and income to be concentrated in the hands of the few. The holdings of stock in the industrial and railroad corporations were distributed as follows:

Capital stock,	$8,997,347,425
Shares,	110,426,197
Shareholders,	872,392

From these figures the Wall Street Journal, August, 1911, drew the conclusion that the average number of shares per holder was 1,265. But this gives us no true idea of the distribution of shares or the real number of stockholders, because the 872,392 shareholders probably held stock in many different companies, and if we allow for the re-

duplication of ownership we would have to reduce the number of shareholders to at least one-half or even more.

In the third place, the concentration of income in a comparatively few of the great corporations is a marked feature of the manufacturing establishments of the country.

The Census of 1910 gives the number of establishments as 268,391.

Capitalization,	$18,526,436,000
Value added to the product,	8,572,527,000
Wages and salaries,	4,375,634,000
Miscellanies,	1,955,783,000
Net value of products,	2,241,110,000

This net value of products must be divided among all the manufacturing establishments. But the ownership and number of workers in these establishments reveals that the income must be very unequally distributed.

Thus 60.8 per cent. of the plants are very small, employing from 0 to 5 wage earners each; 30.1 per cent. employed from 10 to 50 wage earners; and 9.1 per cent. employed from 50 to 1,000 or more wage earners, or 75 per cent. of the number of employees.

237,607 establishments turned out products valued $1,911,000,000.

30,884 establishments turned out products valued $6,616,000,000.

It is evident that the profits of industry are reaped by the larger and stronger cor-

porations. Out of 305,336 corporations reporting to the income tax commission in 1913, it was found that only 61,116, or 20.01 per cent., had a net income in excess of $5,000 a year. Of this number, 21,429 corporations were engaged in manufacturing. While one-fifth of all the corporations received an income in excess of $5,000 a year, yet only 14 per cent. of all the corporations were engaged in manufacturing and earned an income above $5,000 a year.[1]

In the fourth place, the net income derived from agriculture cannot be large. The value of the crops for 1910 was given as $5,487,-161,223, which was equal to $863 per farm, divided among 6,361,502 farms. But 70 per cent. of the farms were under 100 acres and two-thirds of these were under 50 acres, so that the net income from these farms must be much less than this amount. The common theory that the farmers of the country are growing rapidly wealthy cannot be true except for a small minority. Farmers who own no more than 50 to 100 acres cannot realize more than an ordinary living from their farms. The struggle for subsistence must be very hard among the small owners. Therefore, from all these data, we may fairly draw the conclusion that the ownership of property and the net income from manufacturing, trade, transportation, and agriculture are

[1] Internal Revenue Report. 1913.

enjoyed by a small percentage of the people. Undoubtedly a large number of people enjoy indirectly the benefits of the economic surplus through the investments of life insurance companies and savings banks in stocks and bonds. In this sense many millions of dollars were distributed to people of small means. But the amount shared by each person must necessarily be small and does not change the fact that the greater part of the surplus goes into the hands of the few.

It must not be supposed, however, that all this surplus is spent by its owners. On the contrary a large part of it is reinvested industry and this supplies the capital necessary for the extension of business and the creation of new industries. How much is reinvested, we do not know; but we can form some estimate from the amount of new securities issued each year.

NEW SECURITIES ISSUED

	Capital Stock	Bonded Indebtedness
1912	$1,671,088,805	$2,585,978,392
1913	2,333,000,000	3,000,000,000

In this latter year the net income from corporations increased by $500,000,000.[1]

While, undoubtedly, a large part of this new capital was issued by new corporations, yet a considerable portion represents the issue of stocks and bonds by existing corporations. We know that there was a large

[1] Internal Revenue Reports. 1912, 1913, 1914.

increase of capitalization in manufacturing corporations between the years 1899-1909.[1]

This was the period of the formation of large corporations when an immense amount of stocks and bonds was issued. In many instances the common stock represented only the good will of the business and its possible earning power. There was no invested capital behind it. This was evident from the frequent tendency to pay to the shareholders a stock dividend. The purpose of this practice was to distribute the economic surplus and to capitalize the future earning power of the business.[2]

That a large amount of new capital has gone into the railroads of the country is seen from the increase of the value of railroads and equipment, which increased from nine to seventeen billions of dollars in thirteen years.[3]

[1] Census Reports on the increase of capitalization in manufacturing.

1899	1904	1909
$8,975,256,000	$12,675,581,000	$18,428,270,000

[2] In 1912 the General Electric Co. increased its stock to $105,000,000, and distributed $23,292,500 of new stock as a 30 per cent. stock dividend. At the time the corporation had a total surplus of $29,019,893, and a few years ago the Wells Fargo Co. paid a stock dividend of 300 per cent.

[3] The Interstate Commerce Commission reports that the value of railroads and their equipment has increased to an enormous extent during the last few years.

1900	1904	1913
$9,035,732,000	$11,244,752,000	$17,396,769,749

The Pennsylvania Railroad increased its capital stock from $251,000,000 in 1901 to $600,000,000 in 1911. And the American Telegraph & Telephone Co. increased its capital from $100,000,000 in 1900 to $500,000,000 in 1914.

These facts are significant of the new capital which has gone into industry in the last few years; but they do not furnish us with any data for the whole country. At the best, they are only indications of the large sums needed every year and which the economic surplus must supply. At the same time there are evidences that many corporations issue new stock as dividends from the surplus when part of this surplus might be used to increase the wages of the workmen.

Under the present situation of the railroads, where the rates are controlled by the Interstate Commerce Commission, it is manifestly impossible for the railroads to raise the wages of their low paid employees unless the Commission allows them to raise the rates and thus distribute the burden upon the general public. The last few years have witnessed a large increase in wages among the skilled workers of the roads without the raising of the rates to meet the increase. It is not fair that the investors in railroad securities should bear the whole burden of maintaining the living conditions of the employees in view of the fact that the Government exercises a control over rates and charges. Certainly the general public should be willing to bear their just share of the burden and to demand no services from the railroads which do not allow an adequate return in wages to the employees.

2. We have now to inquire whether this distribution of wealth is equitable. There is no question that something is wrong in the methods of distribution when a large majority of the population receive incomes just sufficient for a decent living and millions of wage earners receive wages below this standard. The criticism that any changes in the distribution of wealth will be impracticable, if capital is to receive a fair return on its investment, is hardly supported by facts. The economic surplus is large enough to give to the workers a more equitable share of the profits of industry and yet yield a fair profit to invested capital.

It is only where industries have been overcapitalized through the issue of enormous quantities of common stock, representing simply the good will of the business and its future earning power, that the endeavor to earn dividends on this stock tends to keep wages at a low level and so often leads to the exploitation of the workers. There is every indication that our great modern industries are able to meet the demand for wages which will give to all their employees a decent livelihood.

Take, for example, the United States Steel Corporation, which in 1911 reported an undivided surplus of $156,273,795. Concerning this surplus Dr. Neil says, "During each of the ten years the Steel Corporation has had

at the end of the year an undivided surplus equal to more than 50 per cent. of its total expenditure for wages and salaries during the same year, and during each of the last four years the undivided surplus has equalled more than 90 per cent. of the expenditures for wages and salaries."[1]

This undivided surplus represents, of course, the net accumulation of past years. Now as wages constitute only from one-fifth to one-quarter of the expenses of production and manufacture, an increase in wages would add only a small percentage to the costs of production. It is estimated that an increase of 10 per cent. in wages would add to the total costs of production 3.2 per cent. on the most highly finished products. The labor cost on a ton of Bessemer pig iron is $3.03, whose selling price is $18.00 a ton. While on Bessemer rails it is $5.79 a ton, which sells for $28.00.

"An increase of 10 per cent. in the rate of wages at the blast furnaces would mean an increase of 0.43 of 1 per cent. in the price of pig iron. This is equivalent to an increase of 7.7 cents a ton. Even if wages at the mines and coke plants were also increased 10 per cent., this would cause an increase of only 1.68 per cent. in the selling price of pig iron, or approximately 30 cents a ton. Even

[1] Labor Conditions in the Iron and Steel Industry. Vol. 3, pp. 270, 285.

in the case of merchant bars an increase of 10 per cent. in the rate of wages in the steel plants and also in the mines, etc., would increase the price of merchant bars only 2.46 per cent. or 86 cents a ton."[1]

Yet an increase of 10 per cent. in wages would make all the difference between a decent living and a bare subsistence wage to many of the workers. The surplus of the last fifteen years could have paid the whole cost of this increase in wages, and yet have left a large margin over. The endeavor to earn dividends on the $600,000,000 of common stock, which was acknowledged in the beginning to be largely "water," has led to keeping wages at a minimum. And yet, from 1901 to 1913, dividends have been paid on this stock to the amount of $200,757,632, or 39.25 per cent.

The recent report of the United States Steel Corporation of 1914 gives the impression that wages were excessively high during a year of industrial depression. It is the low paid, unskilled laborers living at the margin of poverty who are overlooked in the report. Yet they form 50 per cent. of the working force. The wages paid to them shows that the Steel Company is not bearing the full human costs of production.

Another striking instance of a corporation

[1] Labor Conditions in the Iron and Steel Industry. Vol. 3, pp. 270, 285.

with a large surplus is that of the Bethlehem Steel Company. In 1912 it had an undivided surplus of $2,214,517, and yet at the time of the strike in 1909 it was paying a large number of its workmen less than a living wage.[1] During the last two years of 1913 and 1914, the corporation earned on its common stock of fourteen million dollars 27 per cent. and 30 per cent. respectively.[2] Unless this surplus is capitalized in new stock, it would be amply sufficient to raise the rate of wages and still leave a large margin over for investment in the business or to pay dividends on the stock.

[1] Report on strike at Bethlehem Steel Works. Neil. Senate Document. Vol. 60, p. 18.

[2] Since the above was written, the Bethlehem Steel Company has raised the wages of its employees ten per cent. This will do something to improve the living conditions of the workers. But at the same time, the profits from the war orders must be very large, judged from the way that the common stock of the Company has risen in the market from 44 to over 300 in six months. Undoubtedly this is due to excessive speculation, but it also reveals the creation of real values. It is based on the expectation of an issue of a hundred per cent. stock dividend and of a large dividend on the common stock. What my contention is that the workers should receive wages adequate for a decent living before this dividend is issued, or better still, should receive a share of the profits. That all the profits from the increased business should go to the holders of the stock is manifestly unsatisfactory.

It is evident that the Company can assure to all its workers wages sufficient to maintain them on a decent standard of living and yet leave a large profit for the stockholders and the extension of the business. But if all the profits are capitalized by the issue of large amounts of new stock, then a new burden will be put upon the industry which may in the future prevent the Company from paying to its wage earners wages sufficient for a decent standard of living.

There are many other industries where the same thing holds true, notably in the meat packing industry of Chicago.

Turning now to an industry of a different character, the candy industry, which was investigated by the Massachusetts Minimum Wage Commission, we find that its profits were $15,286,001, or 20 per cent. on the invested capital of $68,326,471, and the wages were $15,615,388. Moreover, the average wages of 41 per cent. of the workers was less than $5.00 a week and 65 per cent. were paid less than $6.00 per week.[1] The Commission states, "The workers are existing, and they could not exist without the help from relations, friends, charity, or vice, unless they live at so low a standard as to mean deterioration of the race."[2]

I cite these instances merely as examples of the profits and wages which prevail in many of our industries at the present time. It is clear that there is a large economic surplus to meet the new demands of better social conditions and higher standards of living.

Here we are met with the objection that any large increase in wages, which aimed to raise the standard of living for the wage earners, could not be achieved without reducing the amount of capital available for investment and hence curtailing the expansion of business and the opportunity for

[1] [2] Mass. Minimum Wage Commission. Pp. 43, 85.

employment. Moreover, if the economic surplus is largely used as consumer's wealth by being diverted to pay wages rather than being reinvested in industry as capital, then this might ultimately lead to an increase of poverty in the next generation.

There is something to be said in favor of this criticism. It would be no solution for the problem of poverty, if it involved sacrificing the next generation to the present by diverting capital from industry to meet the social needs of today. In the long run, no method of relieving poverty can be permanent which involves sacrificing that part of the economic surplus which is now invested in business to increase wages, even if it meant the improvement of the living conditions of the wage earners' families. It is evident that so much capital is needed every year to keep business growing and expanding. If this is not provided, then there is grave danger that with the growth of population the time will come when there will not be sufficient employment for labor.

Thus it may be said that the United States Steel Corporation is rendering better service for the amelioration of poverty in using its undivided surplus in building a new plant at Gary, Indiana, than in distributing this surplus to increase the wages of its employees; or that the Bethlehem Steel Company is following a much wiser course in putting

back a large part of its surplus into the business than it would be in distributing it among its workers.

On the one hand, while it is true that no satisfactory effort can be made to decrease poverty which sacrifices the productive power of industry, yet, on the other, it by no means follows that the costs of social amelioration must lead to decrease of employment. And this is so for three reasons.

1. It is not clear that the increase of wages to the level of an efficiency or decent standard of living would lead to a decrease of production; on the contrary, under better condition of living, the greater efficiency of the workers will more than compensate for the increase of wages.

2. In the second place, it is one thing to use the surplus in the extension of business and in the enlargement of the field for the employment of labor, and quite another thing to divert the surplus in paying dividends on the common stock, which has been often issued merely to conceal the large profits of the corporation, and which are only paid at the cost of the living conditions of the workers.

3. In the third place, granting the necessity for new capital in the extension of business, it does not follow that to attain this end such a large proportion of the economic surplus should be held in the hands of the

few. It is perfectly feasible and practicable that this ownership should be more widely distributed, as is shown by the increase of stockholders in railroads and other large corporations; only, and this is the salient point, this distribution might be extended to a much greater degree than at present, to include the wage earners. This means the adoption of stock ownership among the wage earners through the principle of profit sharing. This principle would have the advantages of retaining the capital in the business and of increasing the wages of the workers by the income derived from the stock.

The plan, however, adopted by the United States Steel Co. and other large corporations of allowing their employees to buy stock at the market rate does not meet all the demands of the situation. While it has been shown to be advantageous for the few highly paid employees, yet it fails to confer any benefits upon the mass of the low paid wage earners. Only by the adoption of a plan of profit sharing which would divide among all the employees a part of the profits "fixed before hand," and issued to them in stock of the corporation, would meet both the necessity of keeping the capital in the business and giving to the employees a larger income. That this plan is feasible is shown by the experience of concerns like the Proctor and Gamble Co. and the Dennison Corpo-

ration. Whatever exception may be taken to this plan, it is still true that every industry ought to pay the human costs of production out of the profits of business. Such a change in the methods of distribution will be beneficial for these reasons:

First. A more equitable distribution of wealth will result in increasing enormously the consumptive power of the wage earners. This will help to steady the markets and to diminish the danger of industrial crises. For the constant tendency to overproduction can only be avoided as the consumptive power of the masses is increased. Under-consumption is not caused by a limitation in the means of production, for in an era of machinery production is almost unlimited, but it is due to an unwise and restricted distribution of wealth.

Moreover, the fact that the masses, who form the great majority of the nation, have not enough money to buy the products of industry is the secret of our periodic cycles of industrial depression. The masses have unlimited needs and desires which their present wages have no power of satisfying.

There never can be any remedy for overproduction and under-consumption so long as the wealth of the country is congested in the hands of the few. The buying power of the people is limited by the smallness of their incomes. An industry like shoes, woollens,

cottons, etc., is ever liable to over-production, not because the needs of the people are supplied, not because the goods are not produced, but because the economic surplus has been accumulated in the hands of the few and is spent in luxuries rather than in necessaries. Once wages are raised to the level of a decent livelihood, and the profits divided so that the workers may obtain a fair share of the net earnings, and it will increase to an enormous extent the number who will become purchasers of the products of those industries.

Second. This more equitable distribution will react upon unemployment. Industry cannot be kept "going" and "growing" unless the consumptive power of the community can be largely increased. This will more and more lead to the "standardization of consumption," which will tend to keep labor employed. We shall be less likely to witness "gluts" in the markets; and the energies of the people will be turned to industries which give steady and continuous employment.

"If there could be a restoration of conditions," says a leading financier, "which would inspire confidence in their securities sufficient to command the capital with which to begin the expenditure of even a part of the $1,000,000,000 a year needed to put these enterprises in a position to meet the de-

mands of the country both as a 'going' and as a 'growing' concern, it would soon restore the normal conditions of employment, expenditure, consumption, and production. The circle of industrial conditions would be again balanced, shops and factories would be filled, and, instead of the bread line, there would be a working line night and morning between places of employment and homes.''[1]

It is true that the insecurity for capital has always tended to check new investments and to withhold from the market the capital necessary to restore industry to normal conditions. But it is also true that "the circle of industrial conditions would be balanced" if the unemployed could become again not only producers, but also consumers of wealth.

And is it not a fair inference that such conditions of employment might be more likely to be maintained if the wage earners shared more equitably in the national income? Their share of the profits spent in the consumption of necessaries would tend to keep the wheels of industry moving. The country is never prosperous until labor is fully employed; for it is the employment of the millions of people which creates the demand for the large amounts of economic goods that machine production can turn out.

[1] President Vail of the American Telegraph & Telephone Co. in the N. Y. Sun, March, 1915.

At the same time, as unemployment is one of the chief factors of poverty, any change in industry which affects the steadiness of employment must be seriously considered. The first essential for the prevention of poverty is that men should be constantly employed.

Therefore, the use of the economic surplus as new capital is of vital importance for the unemployed. It is this fact which is sometimes lost sight of in considering the legal minimum wage. If the minimum wage resulted in increasing unemployment, then its adoption would meet with little favor. On the contrary, the demands which this wage makes upon the economic surplus is small in comparison with the profits which will accrue to industry through more efficient management and better conditions of living for the workers.

Third. The savings of social costs to the community would be very great. The large sums spent today by public and private charity would be much reduced. Of course, this saving would not be realized at once. It would be some years before the effects of those improved conditions could be felt. Society would still be required to pay the social costs of the poverty which industry, past and present, has created. The ignorant and untrained children, the families which have lost stamina and vigor through bad social con-

ditions, would still supply their quota of insufficient workers. Unwise methods of education, bad sanitation, ill health, congestion, malnutrition, and a precarious livelihood have exerted their pernicious influence, and these things cannot be removed in a day.

It will take some years of constructive work and legislation before they can be very much improved. Therefore, the first steps in the improvement of conditions must begin at the source of the evils,—at the causes which are to be found in the present status of wages and in the methods of distributing the economic surplus.

It is true that there is a limit to all expenditures; but under better business management and under wiser methods of dealing with labor, there is every reason to expect that the national income will be increased and that the industrial unrest and social conflict will be largely eliminated. Unless some such adjustment can be achieved, there is danger that the present system of distribution of wealth will result in more serious disturbances.

"If, therefore, the choice were to be made," says Mill, "between communism with all its chances and the present state of society with all its sufferings and injustices; if the institution of private property necessarily carried with it as a consequence that the produce of labor should be apportioned

as we now see it, almost in an inverse ratio to the labor, the largest portion to those who have never worked at all, the next largest to those whose work is almost nominal, and so in a descending scale, the remuneration dwindles as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labor cannot count with certainty on being able to earn even the necessaries of life; if this, or communism, were the alternatives, all the difficulties, great or small, of communism, would be but as dust in the balance."[1] And Mill goes on to say that "the object to be principally aimed at in the present stage of human improvement is not the subversion of the system of individual property, but the improvement of it, and the full participation of every member of the community in its benefits."[2]

Mill's optimistic view of the improvements that would take place has only partially been realized. A new consciousness of the need of further improvements is awakening in men's minds. There are signs that the most intelligent part of the community and the leaders in industry are seriously turning their attention to these problems. No improvement can take place so long as men seek profits without regard to the methods by which they are earned, or at what cost to the lives of the workers in industry. Men

[1] [2] Political Economy. Mill. Bk. II, ch. 1, p. 267.

are beginning to understand that only legislation is adequate to deal with some of the problems of poverty; others, like profit sharing, must be left to the sense of social justice and humanity, which are becoming stronger every day among the well-to-do class.

Will this consciousness of justice be equal to the demands of the present time, and will it be able to override the sense of greed and selfishness which holds millions in poverty? Time alone will decide. Of this we can be sure, that the remedial efforts to abolish poverty must be gradually applied. At this time there are no panaceas in the present conditions of society that have any chance of practical realization. But the slow evolution of industrial life points to the development of a new spirit of fairness and justice which will lead to an adjustment of economic conditions that will give to the wage earners a larger share of the economic surplus.

V

THE CHURCH AND POVERTY

CHAPTER V

THE CHURCH AND POVERTY

"The Modern Church," wrote Bishop Gore of Oxford, "has generally been on the wrong side. Can we deny it? Can we deny that its conceptions of property and of obligations of property, and its attitude towards the real needs of the masses of men who have held no property, or received no adequate supply of what life needs for its development, have been wholly different from what the teachings of the prophets and our Lord and our fathers in Christendom would have had them today? In this respect, as in others, our religion today is on its trial."[1] This indictment of the attitude of the Church in its relation to poverty by one of the leaders and scholars of the Church of England is not to be easily turned aside.

It is significant how slowly the Church has awakened to its opportunity of exerting its influence in finding a solution for the social problem.

In one sense, the poor have always been the care and solicitude of the Church. To

[1] Property. P. 19.

aid the poor has always been her mission and her glory; but to help the poor by ministering to their real needs has not always been included in this mission. Today the problem of poverty has entered upon a new phase. The new point of view as to the causes of poverty must lead to a complete change of policy, a change that is nothing short of a revolution. If poverty is incurable, then the Church may well hold to her traditional method of palliatives and charity; but if poverty is preventable and capable of being abolished, then the Church must accept a new role and change her methods to meet the new conditions. This new light, proceeding from social economics, is for the Church, as it is for secular history, a new revelation of truth.

Unless the Church is willing to lose her moral leadership, she must fearlessly accept the responsibilities and issues that are raised by the economic forces of modern life. These forces of civilization have created poverty on a tremendous scale. When it is recognized that a large proportion of the poverty is due to forces for which society is responsible, to forces over which the poor have no control, but which society can certainly modify and probably control, then the control of these forces becomes a matter of supreme moment to the Church.

What service can the Church render in the

solution of these questions? Has she any place in her work for dealing with problems of a social and economic character?

That all depends on the theory which is held as to the mission of the Church. Many believe that the Church has no concern with such questions; that it would be fatal to her higher spiritual interests to enter into the arena of social conflict; that it would imperil her influence to champion the cause of "social betterments" for the poor which involved touching the ark of the economic system. They would confine the Church to the simple work of inspiration and of teaching the general principles of the moral law.

Yet, it is by this very limitation in its mission that the Church has lost much of its moral leadership today. Its failure to influence the lives of multitudes of men and women among the working classes ought to raise the question whether the Church is on the right side?

The problem of poverty is not new. There was a problem in Jesus' day, and charity and almsgiving were the only ways in which it could be met. Political power was despotic and beyond the reach of Christian men and women. "The fact," says Dr. Gladden, "that Jesus and his Apostles did not deal with social questions in their political aspects may be explained by the fact that

those to whom they spoke had no political responsibilities."[1]

But today the power to change social conditions is largely in the hands of Christian people and the responsibility for such conditions must rest with them. Therefore, a direct issue is raised with the Church as to its attitude towards the problems of poverty.

Now there are two positions which the Church may take on these questions.

In the first place, it should repudiate any alliance with wealth which means the sanction by the Church of methods in industry which lead to the exploitation of the poor. Her present attitude is often one of subservience to the power and influence of wealth. Whatever the cost to her financial resources and benevolences, the Church should see that she is on the right side. For, as long as the Church utters no protest against the social conditions which the present organization of industry creates, the impression is created that she accepts the morality of the present system.

Today the distribution of wealth is not wrong because it is unequal, but because it is inequitable. It confers upon the few the power to control the lives and the work of millions of men and women through the control of the means of employment and the rate of wages. The responsibility for the wise

[1] Social Salvation. Gladden. P. 21.

use of this power must be brought home to the business world today. Surely in this work the Church has a clear duty.

This must take the form of actively working to change the conditions under which men work and live. To simply tell men that such conditions exist without showing them why they exist is futile. The Church must place the responsibility for those conditions upon the men who control them.

The ineffectiveness of the Church in dealing with social questions is due to her lack of a definite purpose. Too often she urges social improvements on the ground of generosity rather than on those of duty and justice. The defect of so much modern preaching is that it is too indirect, and therefore fails in results. Even books which deal with the social mission of the Church fail to reach their mark because they lack directness and definiteness. The issues are not squarely joined.

Thus a recent writer, in an admirable volume on "The Church and the Labor Question," vitiates his whole argument for a social reconstruction when he says: "Irreligion is at the back of all our social miseries and iniquities. The New Testament morality cuts deep into the heart of the lie that social misery is simply the result of environment."[1]

But irreligion is not back of all social

[1] The Church and the Labor Question. Womer. P. 96.

misery, except it be the irreligion of those who hold the masses in their economic power. Indeed, all investigations show that a bad environment has much to do with the misery and degradation which afflicts multitudes of the wage earners. If irreligion is the cause of social misery, then the only hope of the abolition of poverty lies in the regeneration of character.

Now it is just this theory which has arrested all efforts to change the conditions that doom so many men to hopeless poverty. If there is a lurking suspicion that this is the theory and attitude of the Church, then business men will take refuge behind it and oppose as Utopian any efforts to improve the social conditions of the masses. It is because the Church does not fearlessly fix the blame where it belongs that it fails so often in its moral leadership. No one man is responsible for the system; but the responsibility for the misery and poverty under the economic system is to be placed upon those who control its activities.

Is the Church, then, to commit itself to an economic theory? By no means. It is not necessary or wise for the Church, even if it believed it to be true, to commit itself to any of the popular panaceas like Socialism or the Single Tax, or any other radical theory of social reconstruction. On all these theories there must necessarily be much di-

versity of opinion as to their wisdom and effectiveness. The reforms which will lead to the abolition of poverty do not depend on economic theories, but on economic practice. They involve changes within the present organization of industry, yet changes which will lead to a more equitable distribution of wealth. This is not merely an economic question. It is an ethical question. It is a question of justice and humanity, a question of just dealing between employer and employed. It is recognized today that all economic questions are related to ethical questions. To say that it is only an economic problem as to how wealth is produced or distributed is to ignore the most salient facts. Ethics form the basis of economics, and the methods employed in the production of wealth offers a wide field for the application of ethical principles. Modern economists are agreed that ethics underlie economics. "The modern economist," says Professor Seligman, "has become just as mindful of the ethical aspects of every economic problem as the modern moralist has been forced to recognize the economic side of his ethical problem."[1] Now this principle has a wide application. It implies that all the means of production, above all, the human instruments employed in production, should be governed by ethical principles. Any form

[1] Economics. Seligman. P. 34.

of production which is carried on only at the cost of the health, the limbs, the lives, and the degradation of the workers must be in the highest degree unethical. It violates every sense of right and justice and ignores every instinct of humanity.

But it is not only in the production, but also in the distribution of wealth that ethics come into play. Wealth which is obtained from the exploitation of the lives of the workers is condemned by all ethical standards. The entire lack of consciousness of responsibility felt by those who receive dividends from investments in sweated and exploited industries is one of the anomalies of modern life. Here is a field where the Christian conscience must be awakened and trained. It is through such investments that many men and women of high character are responsible for the moral degradation and destitution of the wage earners.

"These investments," says Mr. Hobhouse, "this capital, is the governing force in the lives of thousands and millions of men scattered throughout the world. It is the instrument by which they are set in motion, by which their labor is sustained, above all by which it is directed and controlled."[1]

Indeed, much too easily have the owners of these investments shirked their responsibility and shifted the burden upon the

[1] Property. P. 22.

directors of the industry. If the directors in the interest of the shareholders exploit the workers, to earn excessive dividends, the effect of this exploitation in the degradation of the lives of the workers must be put upon the receivers of the dividends. If only 10 per cent. of the investing public should refuse to purchase shares in any corporation which earned its dividends by the exploitation of its employees, it would serve as an economic check upon the sale of such securities. Indeed, the effect on the market by the demand for standard securities of corporations which were known to pay fair wages would react upon the sale of securities concerning which there was doubt as to the manner in which the dividends had been earned. This may be a new application of ethics to business, but the Church must uphold it in the interest of fairness and justice to the wage earners. It is not true that wealth is good no matter how it is acquired. Wealth obtained from brothels and gambling houses is denounced by decent men. Wealth acquired from saloons is tabooed by many, because it so often involves the demoralization of men and the destruction of families and homes. And so, too, wealth which is acquired at the cost of the degradation of the lives and the characters of the wage earners must be condemned by any standard of ethics worthy of the name. We have seen

that social conditions connected with many industries are the cause of exhaustion and depression which so often lead to drunkenness; and that vice and crime are fostered where great destitution prevails. The necessity for remedies for poverty rests upon an equitable basis. It is the demand for social justice. You cannot take from the workers their fair share of the products of industry without injustice. Yet this is what our present distribution of wealth often does.

Bonar Law, the leader of the Conservative Party in England, has recently said, "that social unrest is due, not to the unequal but to the inequitable distribution of wealth." Until this inequitable distribution of wealth is righted, there can be no peace in the industrial world. It is here, if anywhere, that the ethics of Jesus have their supreme application to industry. In the past the Church has been fearful of applying its ethics to the sphere of economics; yet it is only in doing this that the the Church can hope to see the abolition of poverty.

Now is it enough for the Church simply to teach these social ethics? If the Church is to exercise its moral leadership, it must take a more positive stand. Teaching and inspiration are not enough. It must advocate and support a social adjustment which will make its position clear and unequivocal. It must be in sympathy and actively uphold

every form of legislation which means better social conditions for the wage earners.

Moreover, if the Church is justified in committing itself in favor of legislative prohibition, of legislation against gambling, and of one day's rest in seven, why should it hesitate to advocate and support legislation which is necessary to give security and a decent living to millions of workers? The Church should create the sentiment which makes such legislation possible.

If it is the exponent of right and justice, then it will champion the cause of good housing conditions which will make congestion impossible; good sanitation which will provide for health; child labor laws which will prevent the exploitation of children in industry; shorter hours which will save the workers from over fatigue and conserve their strength and health; minimum wages which will insure an adequate maintenance of the family; State insurance for sickness and workmen's compensation for accidents. This is not an impossible work for the Church, but one which many churches would gladly support under competent leadership.

I knew a minister who presented to his congregation the claims for the National Child Labor Law then pending in Congress, and at the close of the service more than two hundred members signed the petition which was sent to their representatives in

Congress. If a majority of the churches of the land had united in endorsing this law and sent to their members in Congress a petition in its favor, the National Child Labor Law would not have failed in a speedy passage. If the consensus of Christian opinion could be mobilized in support of legislation to improve social conditions in industry, how quickly these changes might be realized! Thirty-eight million members of the Church, alive and active, to the need of abolishing conditions which create poverty, could work a revolution in industry. Such active service does not demand that the Church advocate an economic theory about which opinions may differ, but an ethical program about which there can be little dissent.

Will the Church be willing to take this stand? Will her ministry assume this prophetic leadership? If they will, then the problem of poverty is in a fair way of being solved. If these are questions of humanity and justice, then they must come within the sphere of the work of the Church.

That they are so, the leaders of the Church of England have not hesitated to claim. The Bishop of London recently said, "If the Church was not going to equalize the conditions between the rich and the poor, what was the good of the Church?"[1]

[1] A Living Wage a National Necessity. Cotterill. Pp. 32, 35. Quoted. 1912.

As high an authority as the Archbishop of York told the clergy at a recent church congress: "This question of the distribution of wealth is one which the community must seriously consider. It is a social problem which calls for redress, and the Church of the nation would be lamentably wanting in reading the signs of the times unless it was prepared to take its place in focussing the opinion and thought of its members upon changes which are inevitable. This unrest is the homage paid, however often crude in expression and blind in action, to an ideal of the worth of human life which under existing circumstances great numbers of workers cannot fulfil. This is the moral fact which lies behind the demand for what is called the minimum wage. But the spirit which lies behind the demand, and which perhaps is expressed in better terms as the desire for a living wage, is right."[1]

The significance of the utterances of these two leaders lies in the fact that they were both ex-Bishops of Stepney, one of the slums of London, and had studied the conditions of the poor at first hand. They were under no illusions as to the causes of poverty. In the school of experience they had learned the social conditions which tend to create poverty. That they should indicate clearly

[1] A Living Wage a National Necessity. Cotterill. Pp. 32, 35. Quoted. 1912.

the lines upon which the Church should work is characteristic both of their wisdom and leadership. Not less outspoken is the present Bishop of Oxford, Dr. Gore, when he says, "If it appears that the conditions of property-holding at any particular period sacrifice the many to the few, and tend to starve the vitality or destroy the hope, or depress the efforts of masses of men and women, there is no legitimate claim that property can make against the alteration of conditions by gradual and peaceable means."[1]

But while the leaders of the Church of England are outspoken in their convictions on the problems of poverty, yet are we to expect the same fearless leadership from the ministry in the United States? In certain conspicuous instances, we find it. But the very dependence of the ministry upon the employing class, and the sensitiveness of employers to any discussion of wages and social conditions which may interfere with business and profits, makes the position of the ministry much more critical. A ministry under a State endowed Church enjoys much more liberty of speech than a ministry which is largely supported by the voluntary offerings of the wealthy. It is more difficult for such a minister to exercise prophetic leadership on the moral issues of the day. If

[1] Property. P. 17.

he preaches on these questions, he runs the danger of having his stipend cut or his resignation demanded. Indeed, this limitation on the freedom of the ministry is an alarming feature of our churches. It handicaps the Church in dealing with the most vital questions. Can the ministry break loose from this bondage? If it cannot, the Church must continue to lose her influence in the modern world. The solution of the problem of poverty is vital to the future welfare of the Church. It is much the biggest ethical question which confronts the Church today. Not to face it, but to turn away from it; not to find some solution for poverty in this country, is for the Church to invite failure in her mission.

This must not be interpreted as advocating that the ministry shall rashly or unwisely deal with these questions. These social problems are much too important to be handled unwisely or without a careful study of all their bearings on the economic system of today. In some instances it has been the rash and radical statements by the pulpit in advocating a complete reconstruction of society which has diminished its influence and militated against its efforts to improve the social and economic condition of the wage earners.

Many business men are seriously thinking on these questions and are ready to adopt

new methods in the management of their business and in the distribution of the profits to the workers, if they can be convinced that such changes can be realized without loss to their industry. There are many signs that industrial unrest and poverty are questions with which the business world is concerned today.

That the ministry can render great service in fostering this new spirit in industry depends upon the wisdom and sanity of their leadership. To this end they must prepare themselves by careful and thorough study of the wages and the living conditions of the workers. No man has a right to speak on these questions from the standpoint of Christian ethics who has not made a careful study of economic conditions. If he is adequately equipped with the facts and results of modern poverty, then he will, at least, command a respectful hearing. But if he strives to make the facts fit into some theory of Socialism, about which there is much diversity of opinion, then he will only lose his influence and leadership.

The remedies suggested for the abolition of poverty are not of such a drastic character that they will create any antagonism among business men where they are fair-minded and anxious to do the just thing. That such is the case, there is not much doubt. The difficulty lies elsewhere. It is

to be found, not so much in the desire of men to improve the social conditions of the workers, but in the belief that such improvements cannot be realized through changes of an economic and social character. The prevalence of the belief that poverty is due to inefficiency and defects of character among the workers is widespread and commands the support of Christian people. This belief will not be changed immediately; but will only give way under the pressure of the social facts as presented by social workers and religious leaders.

That the ministry has a great opportunity here, there can be no question. As teachers of ethical truth and leaders of the work of charity in the community, they have a splendid opportunity of bringing home to men the facts of poverty which have only to be known to win almost an universal acceptance.

No longer can the Church excuse her inaction by the theory that drunkenness and vice are the chief causes of poverty. Not more than a small amount of poverty can be attributed to these causes. As secondary causes, they loom much larger in the work of the charity worker. If we look only at the surface conditions of society, we may often be misled as to the real causes of poverty. While awaiting the slow processes of social and economic reform, the Church must

still continue her charities and philanthropies. For some time the need of helping those who have been reduced to poverty by the present economic system will remain.

A small residuum of the poor who suffer from their own faults and vices will always require help. But it is noticeable that as men rise in the social scale, and secure better working conditions, drunkenness and vice tend to decrease. Among the well-to-do classes these vices are reduced to a minimum. Moreover, the present system of charity is inadequate to deal with the small class of the feeble-minded, the unemployables, and tramps. The former must be segregated in State institutions and prevented from propagating their species; the latter must be organized in labor colonies under State supervision and taught and trained so as to make them efficient members of society. This plan has been carried out with success in Switzerland. Thus a broader field of service is forced upon the Church today. Until the Church incarnates the spirit of the Good Samaritan and takes upon her mind and heart those who have fallen by the wayside in the economic struggle, it can hope for no great influence with the masses. The indictment made against the Church is that she ignores the social questions which absorb the minds of men today. This indictment, however, cannot be laid to Christianity. The

ethics of Jesus are concerned with the production and the distribution of wealth. The sins that He held up to the world's scorn were the sins which had their roots in the love of luxury, ostentation, and money. Were the ethics of Jesus applied to modern economic conditions, the problems of poverty would be in a fair way to be solved.

Phillips Brooks once said, "Christianity had not failed because Christianity had not been tried." As yet, society has not tried to live in accordance with the ethics of Jesus and the Sermon on the Mount. If it should make the experiment, the results might be revolutionary. For one thing, poverty would not be tolerated under present conditions. That society has not tried the experiment is because the Church has ignored its social mission. It has occupied itself too much with the administration of its organization and the regeneration of the individual. It has largely ignored the social and material forces which create the environment in which fine characters are developed. To recapitulate, the Church must accept this social mission for these reasons:

First. Because the causes of poverty demand redress. It is largely through ignorance that society allows the present conditions to exist. The need of the hour is to turn on the light.

Second. Because the administration of

charity deals too often with the effects and not the causes of poverty.

Third. Because social legislation to improve the condition of the poor needs the support and sympathy of the Christian community.

Fourth. Because many make investments and receive profits which involve the exploitation of the wage earners. The responsibility for this condition is not always realized by investors.

Fifth. Because the relation of the ethics of Jesus to economic life and to the men who control the means of livelihood of the workers is not always recognized.

Sixth. Because the moral leadership of the Church is at stake, and its power to influence the lives of the poor and oppressed depends on its freedom to champion their cause.

If the Church will take this stand, a new era will dawn for Christianity and many of the evils of poverty which afflict society will be abolished.

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